



FEDERAL RESERVE BANK *of* NEW YORK

Housing: Current Trends in the Nation and the District

October 2010 Regional Economic Press Briefing
Federal Reserve Bank of New York, October 19, 2010

The views expressed here are those of the presenters and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Regional Economic Update

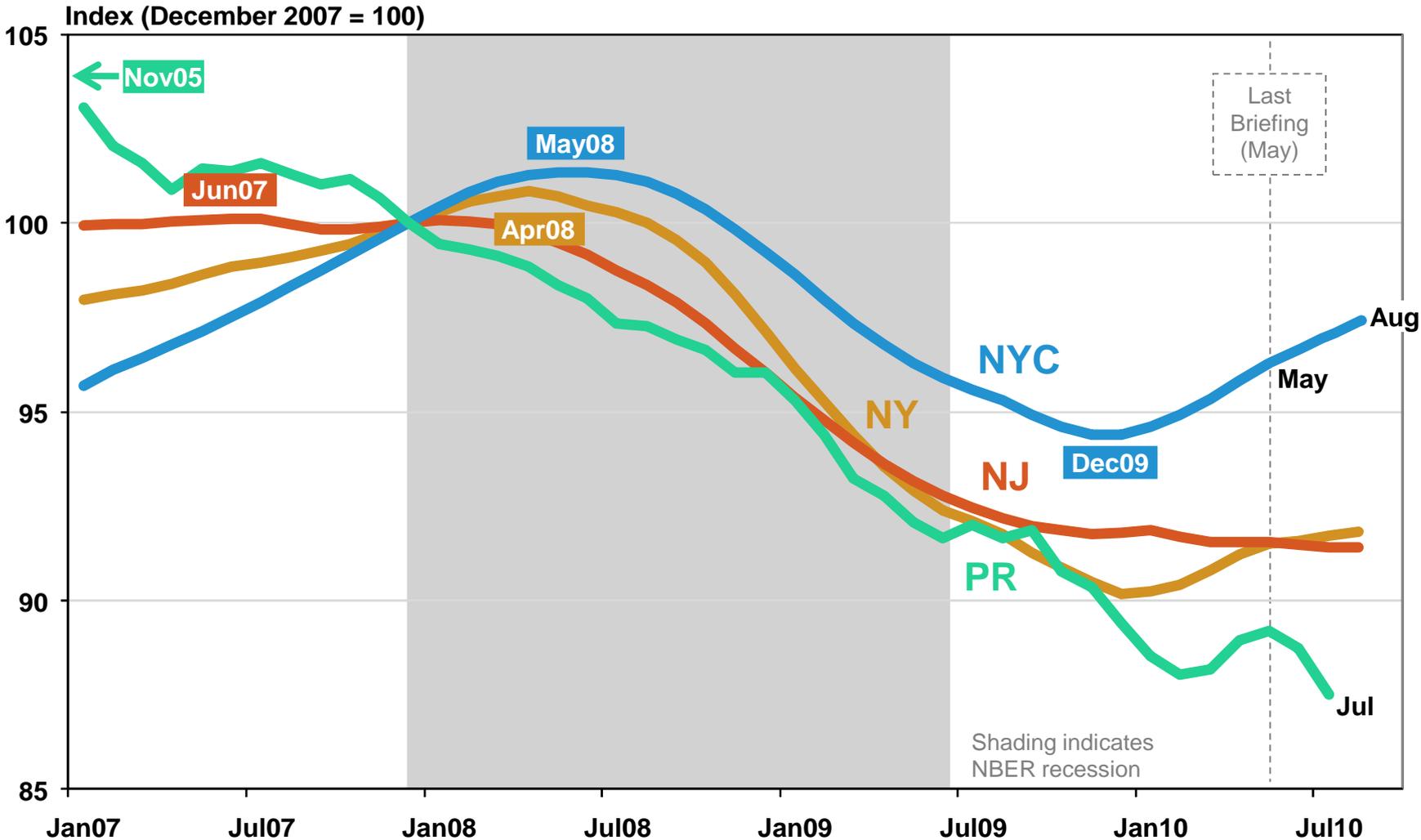
James Orr

Summary

- Economic activity has continued to expand in New York State and New York City, has remained steady in New Jersey, and has declined in Puerto Rico
- Recent private-sector employment trends:
 - Growth in New York State and New York City
 - Modest upward trend in New Jersey
 - No significant signs of recovery in Puerto Rico
- Unemployment rates edging down from their cyclical peaks but remaining high across the region

Recent Trends in Regional Economic Activity

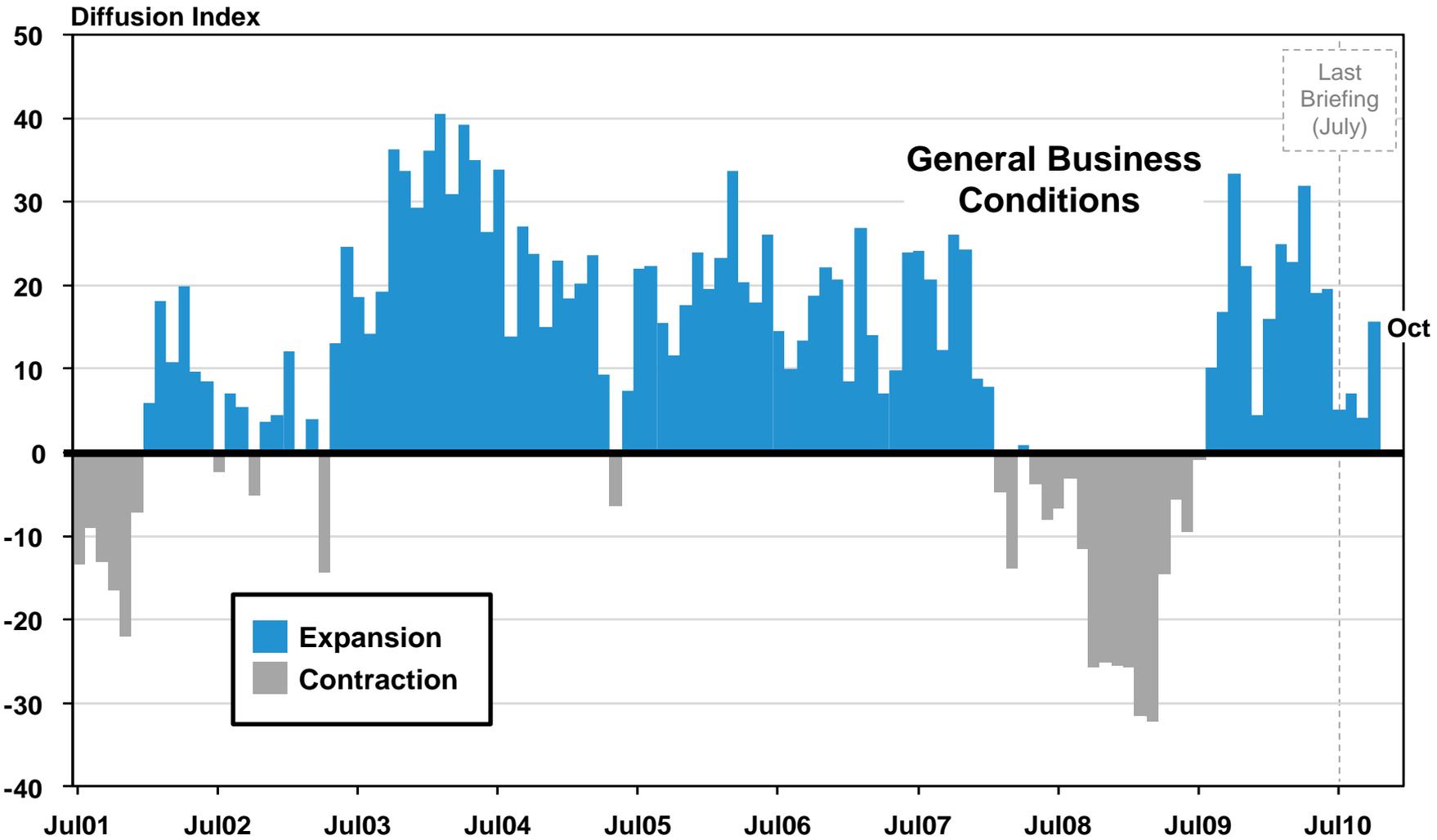
Index of Coincident Economic Indicators



Source: Federal Reserve Bank of New York; Puerto Rico Government Development Bank
 (Note: The Puerto Rico composite index is based on a different methodology than the indexes produced by the FRBNY)

Empire State Manufacturing Survey

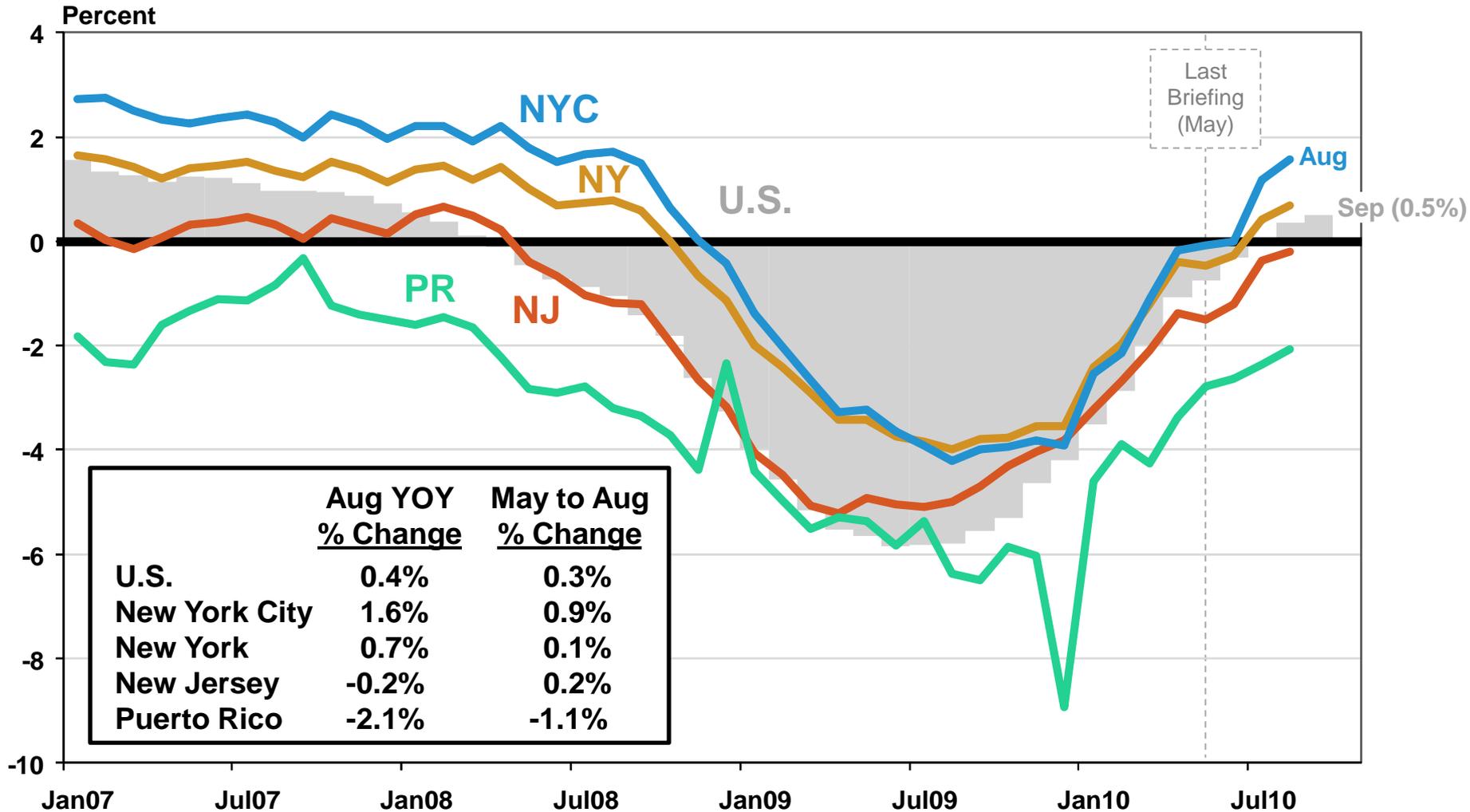
General Business Conditions, Seasonally Adjusted



Source: Federal Reserve Bank of New York

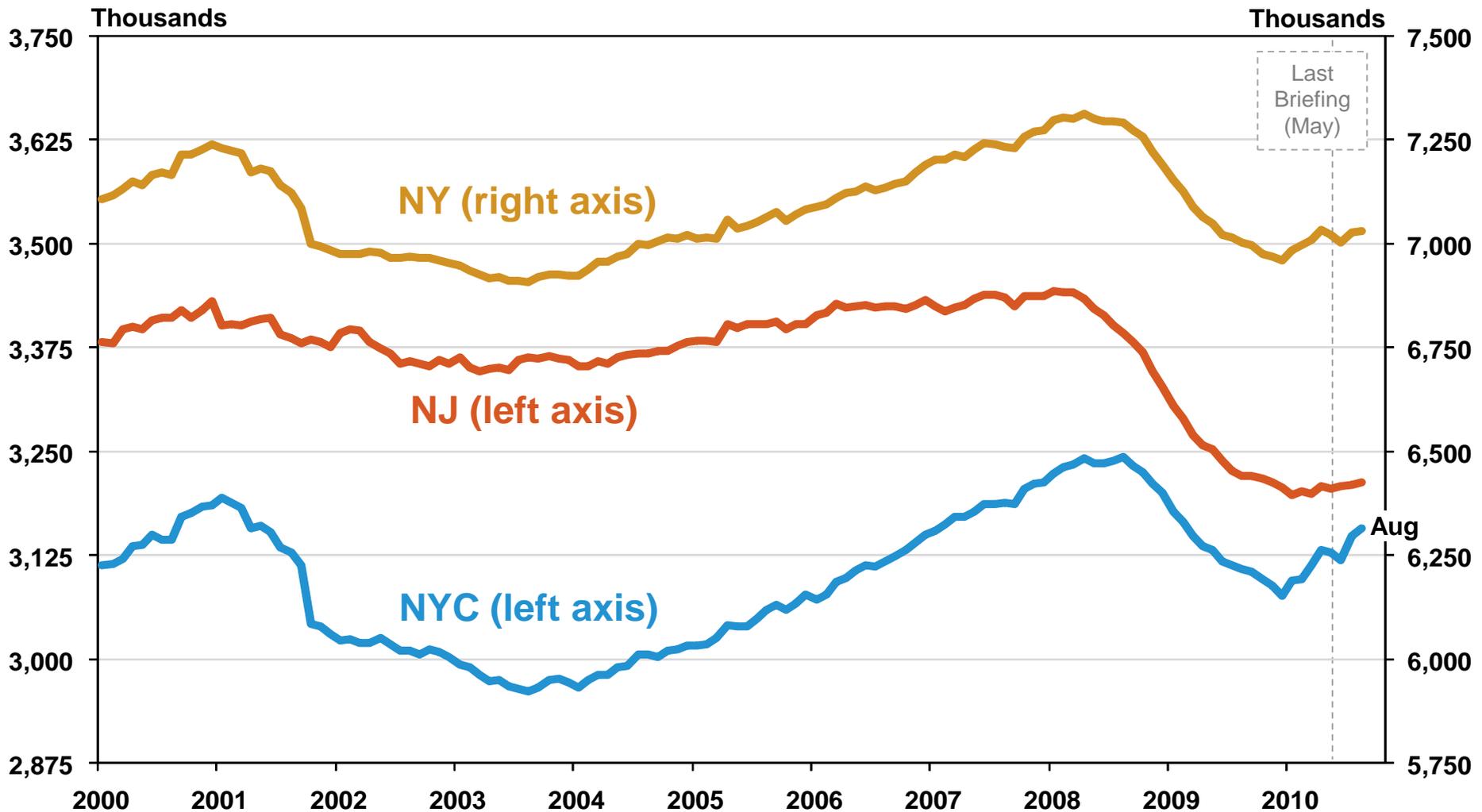
Private-Sector Job Growth

Year-Over-Year Percent Change in Private-Sector Employment



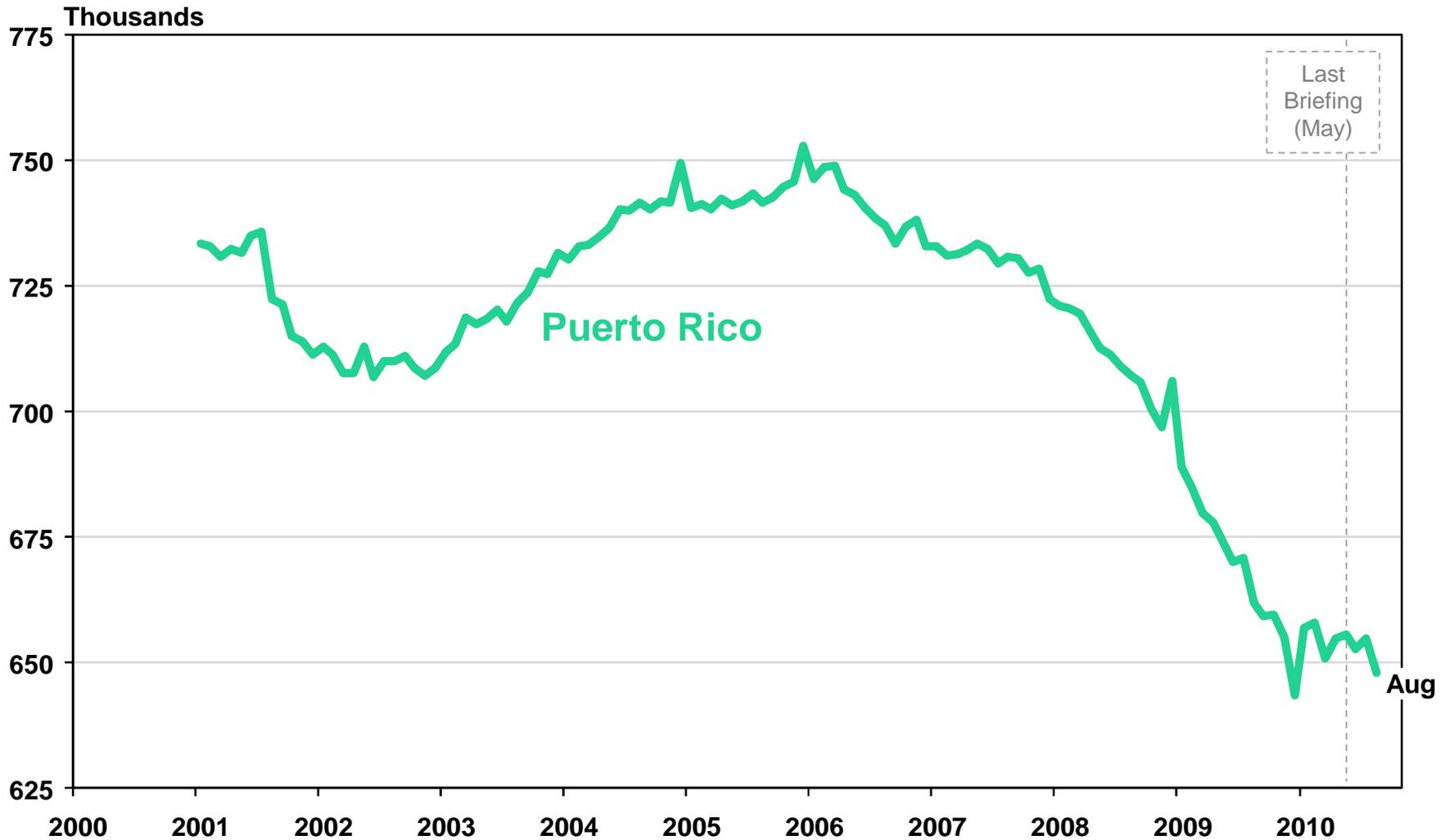
Private-Sector Employment Trends

Seasonally Adjusted



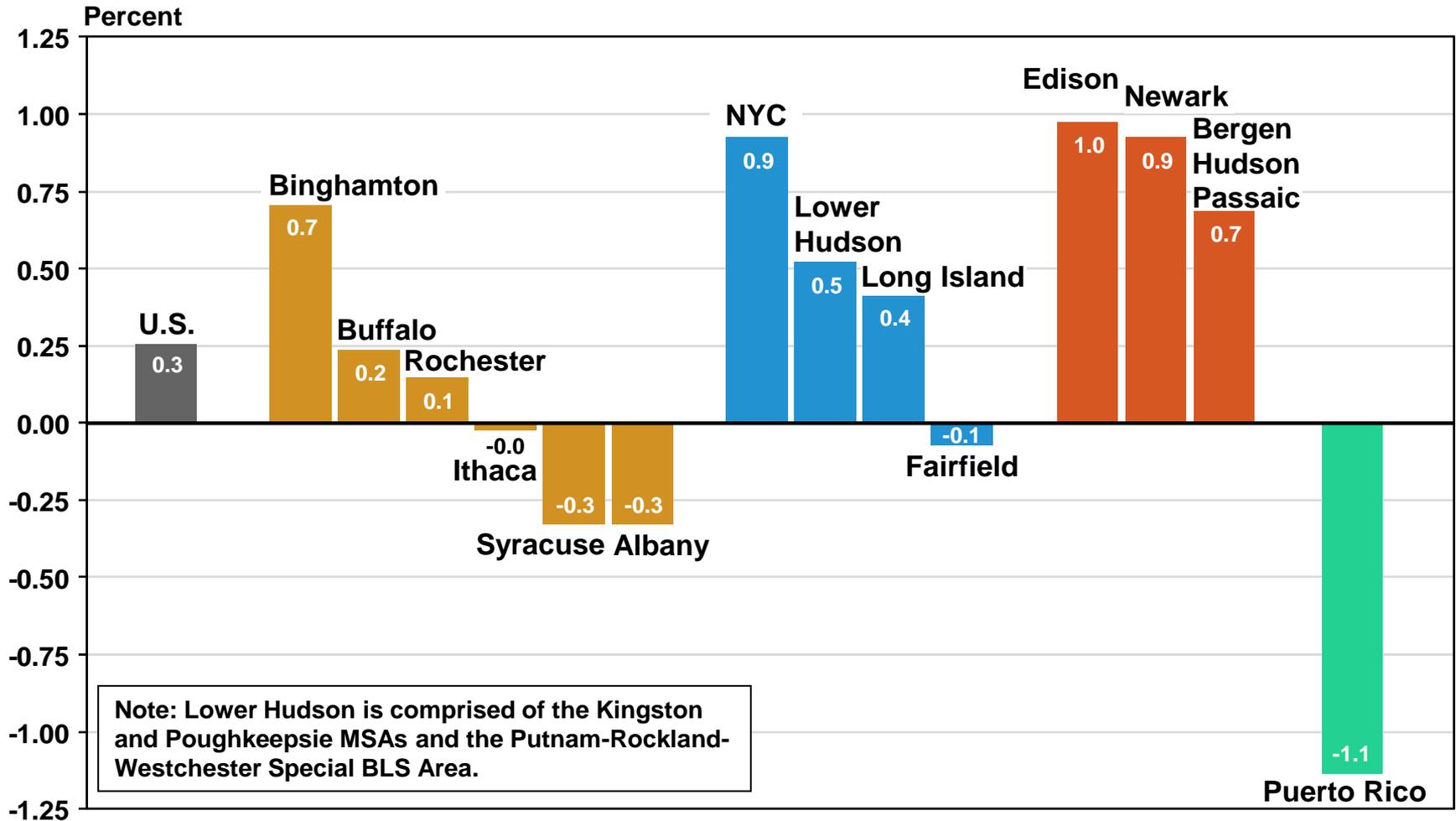
Private-Sector Employment Trends

Seasonally Adjusted



Regional Private-Sector Job Growth

Seasonally Adjusted, Percent Change, May to August 2010



Job Growth: Selected Sectors

Seasonally Adjusted, May to August 2010 Percent Change

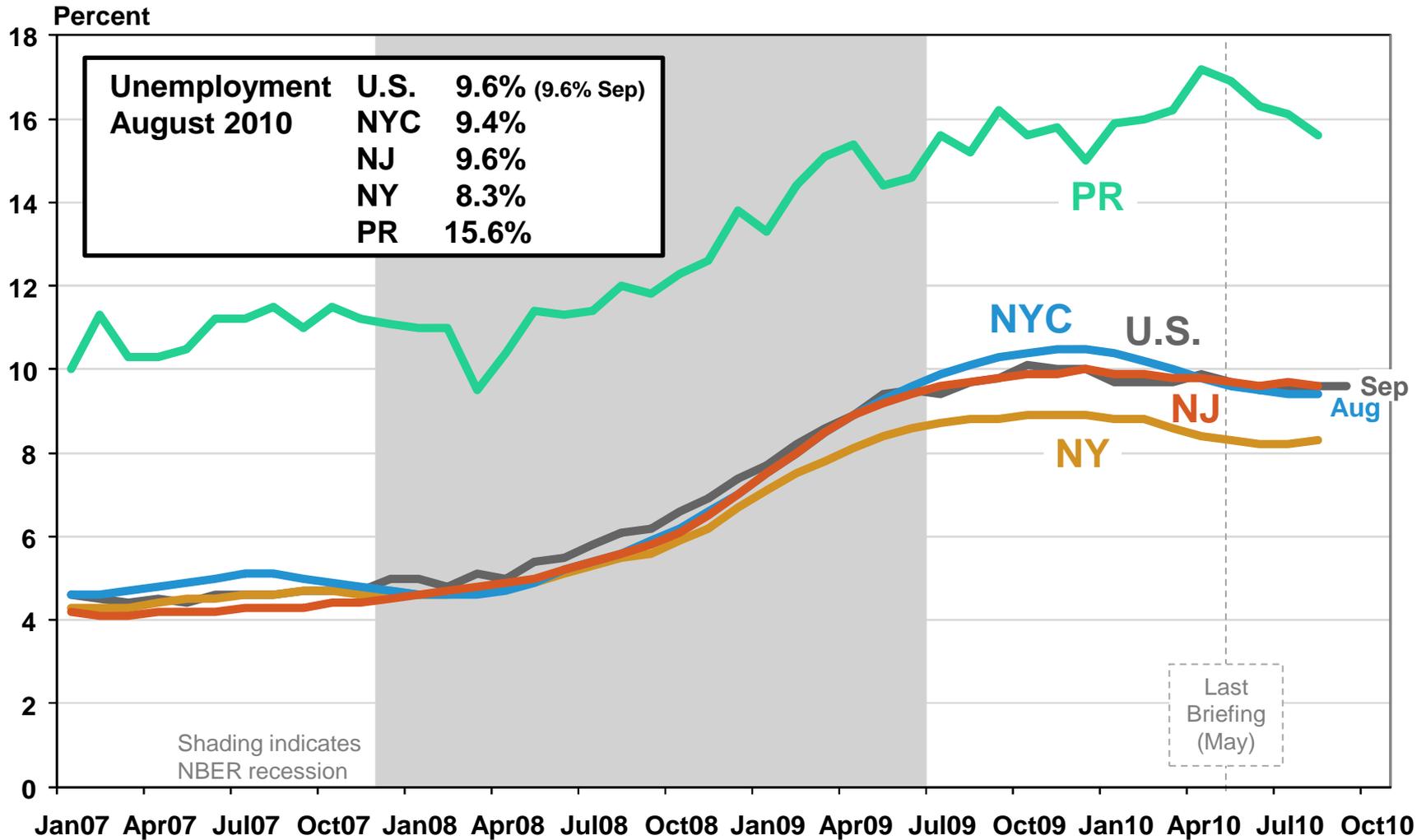
	U.S.	New York	New Jersey	Puerto Rico
Education & Health Services	0.5%	-0.6%	-0.3%	-4.1%
Construction	0.4%	3.3%	-0.9%	-4.6%
Professional & Business Services	0.3%	0.0%	0.9%	5.6%
Manufacturing	0.1%	0.5%	-1.3%	-1.5%
Financial Activities	-0.3%	-0.3%	0.8%	4.6%
State & Local Government	-0.5%	-0.4%	-3.2%	-2.4%

Note: Puerto Rico construction sector includes mining.



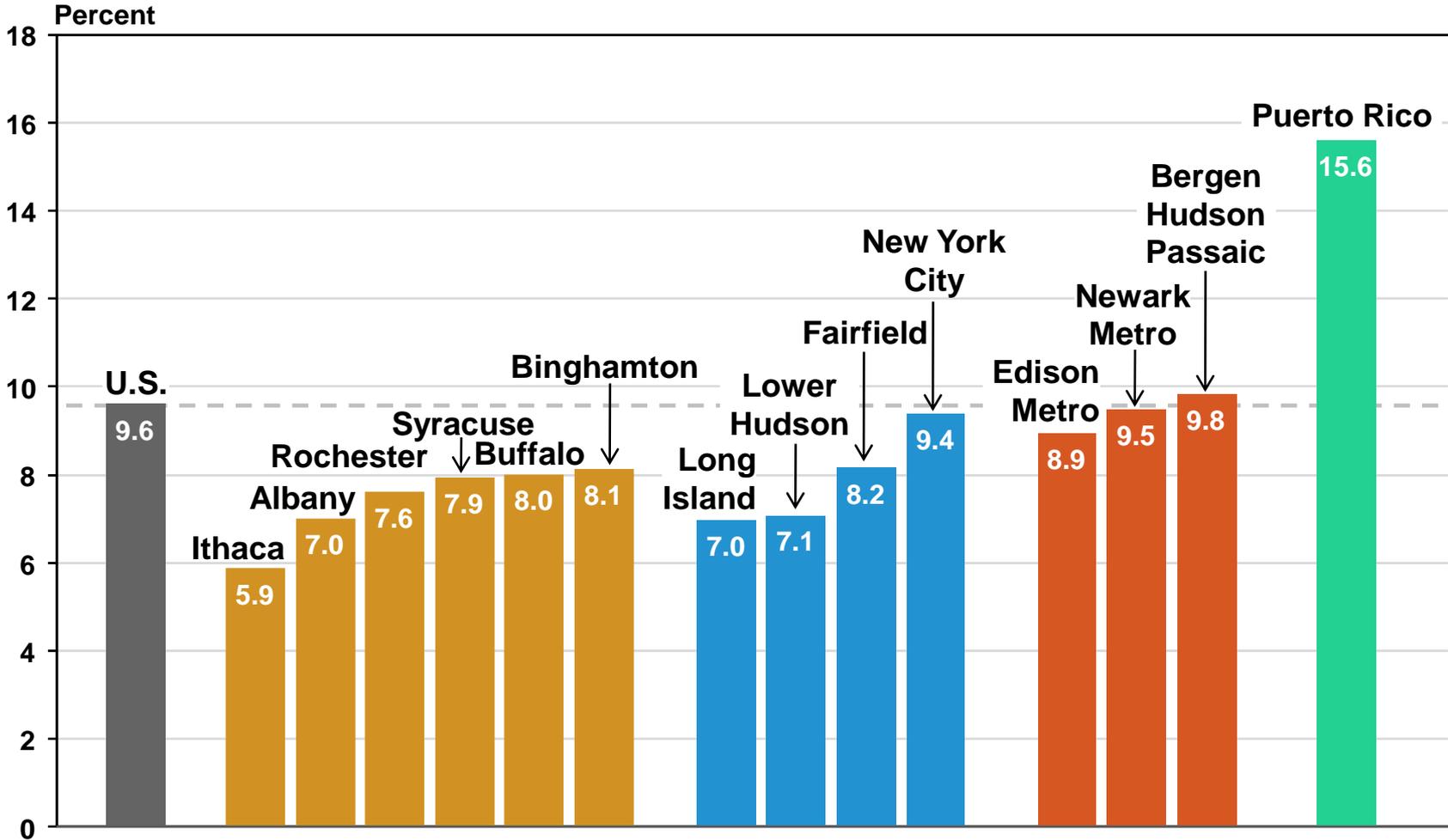
Unemployment

Seasonally Adjusted Rates



Regional Unemployment Rates

Seasonally Adjusted, August 2010



Source: Bureau of Labor Statistics and Moody's Economy.com

Summary

- The recovery of activity seems firmly in place in New York City, and activity continues to expand in New York State; activity has shown no growth in New Jersey and is declining in Puerto Rico
- Overall private-sector employment in New York State and New Jersey is up modestly over its year-ago level, although state and local government employment is weak
- Unemployment rates have retreated somewhat in the past few months, but remain at exceptionally high levels

Housing Trends in the District

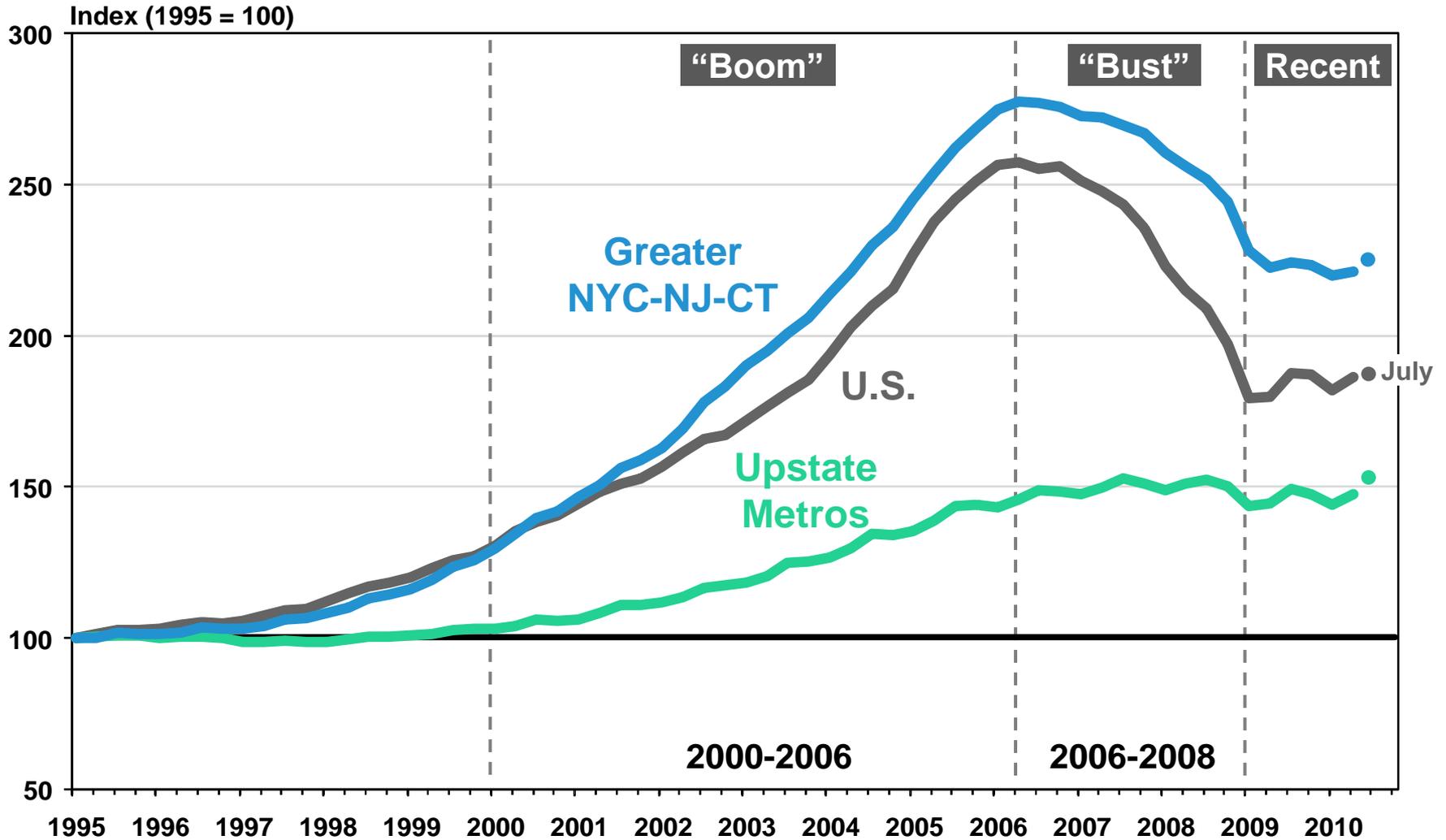
Jaison Abel

Overview

- **Housing boom and bust in the U.S. and region**
 - The housing cycle in the New York-Northern New Jersey region has generally been less severe than in other parts of the country
- **Housing performance and local economic activity**
 - The decline in the housing sector has resulted in lost jobs and a drag on economic activity, but this drag has been less consequential in the region than elsewhere
- **Recent performance of region's housing markets**
 - Home prices have stabilized and home sales have generally risen across the region, although the future path of activity is uncertain

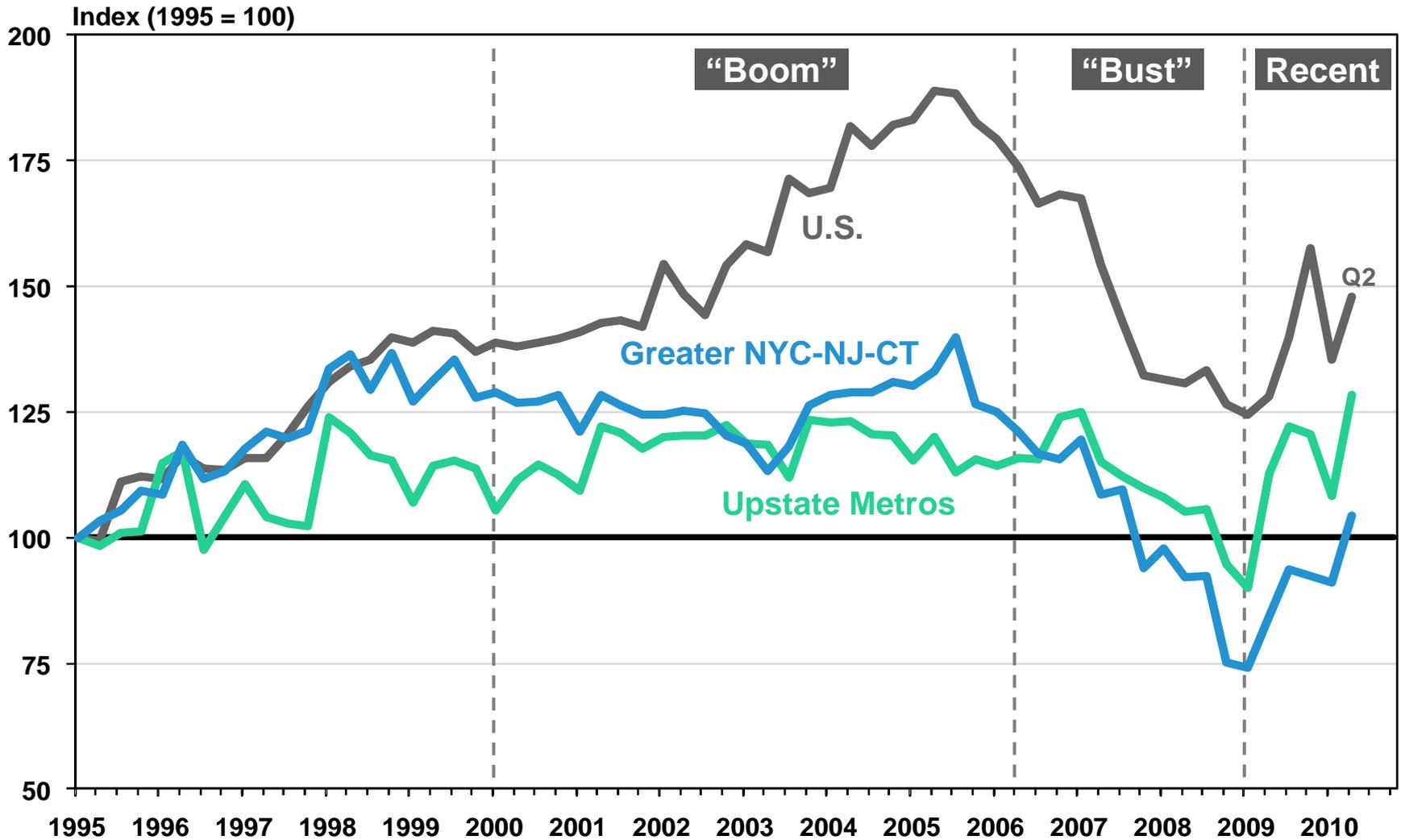
Regional Home Price Appreciation

CoreLogic Home Price Index



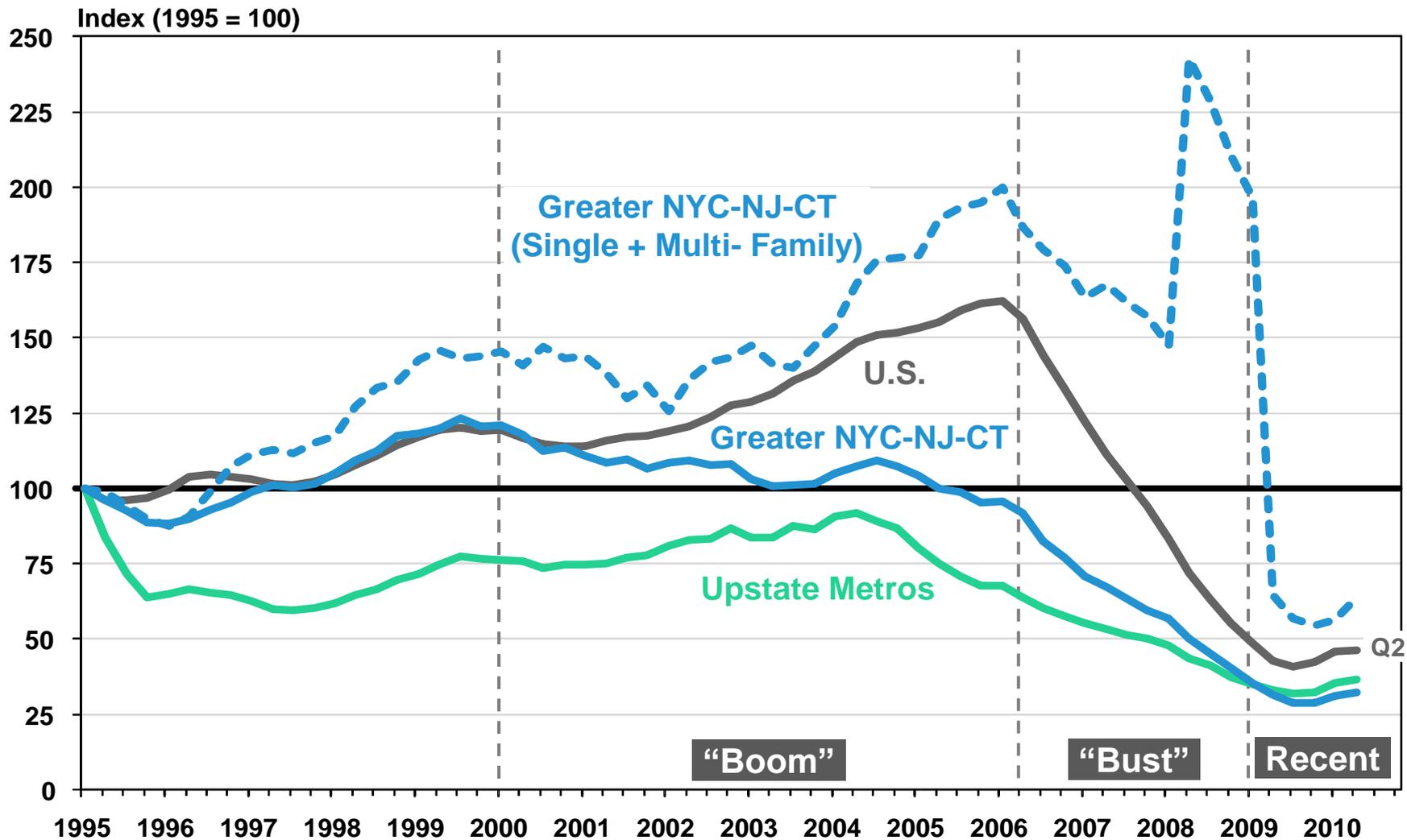
Regional Real Estate Activity

Index of Existing Single-Family Home Sales



Regional Home Building Activity

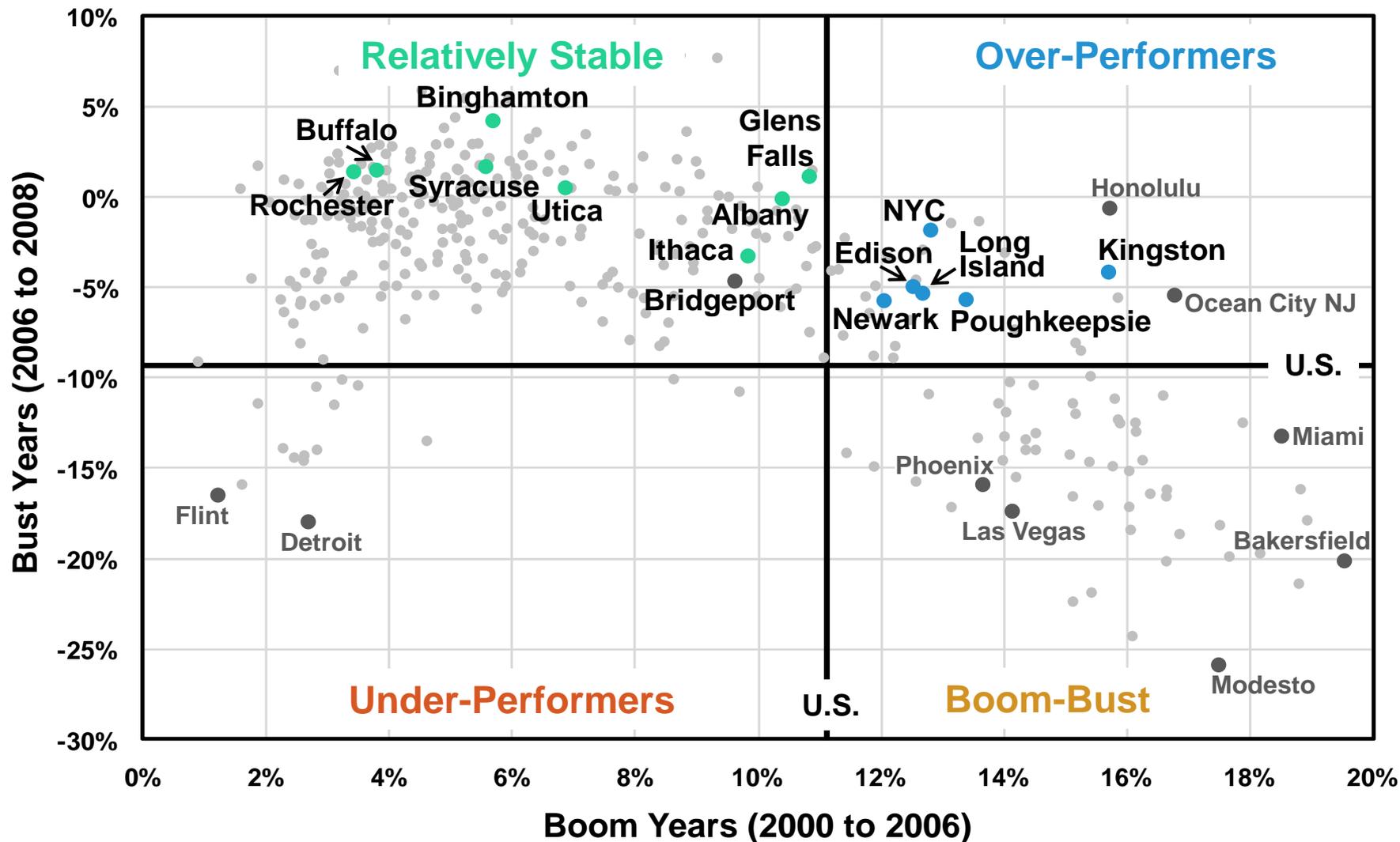
Index of Residential Single-Family Building Permits



Source: U.S. Census Bureau and Moody's Economy.com
(Note: Permits data adjusted using 4-quarter moving average)

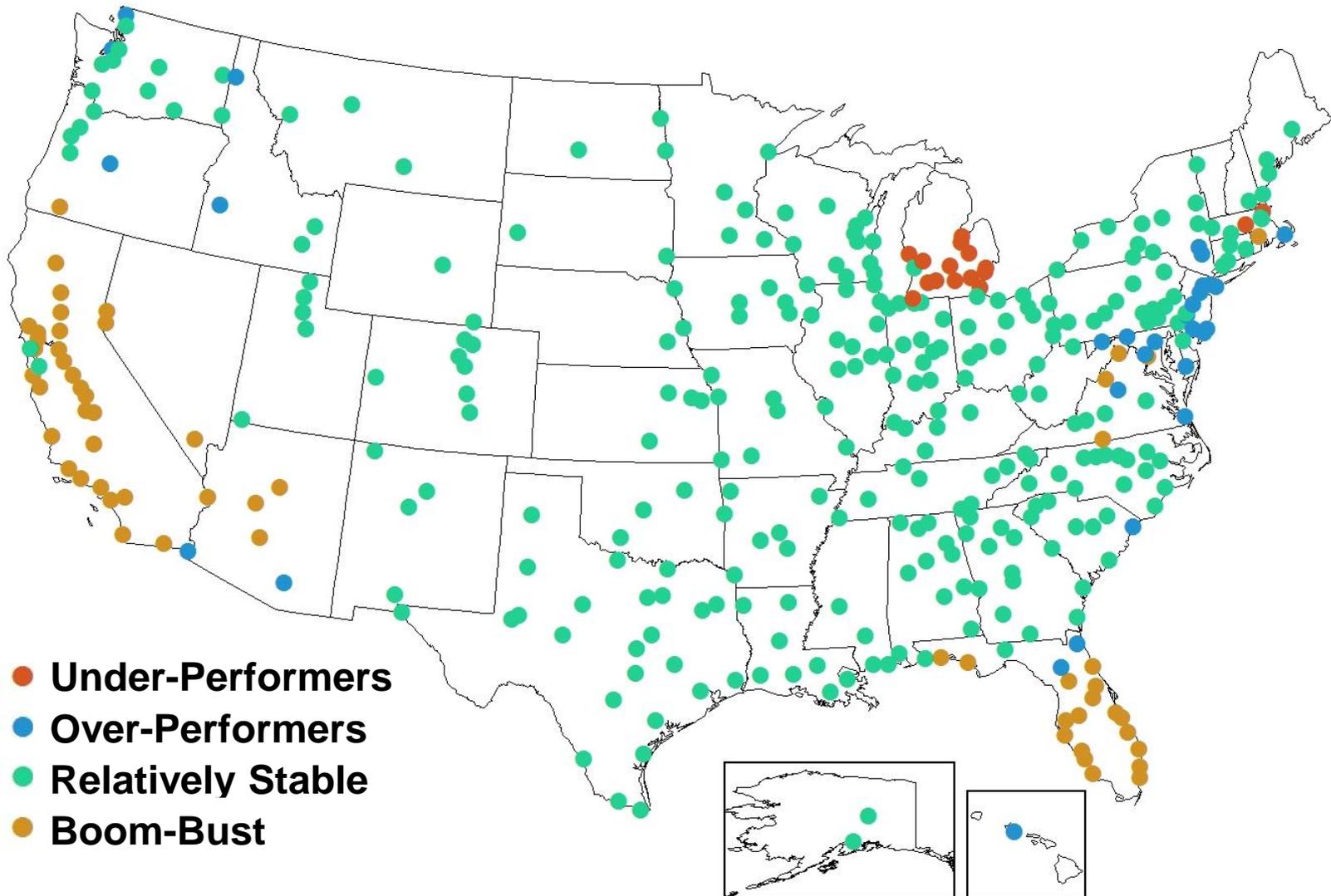
“All Real Estate Is Local”

Average Annual Percent Change: 2000-2006 vs. 2006-2008



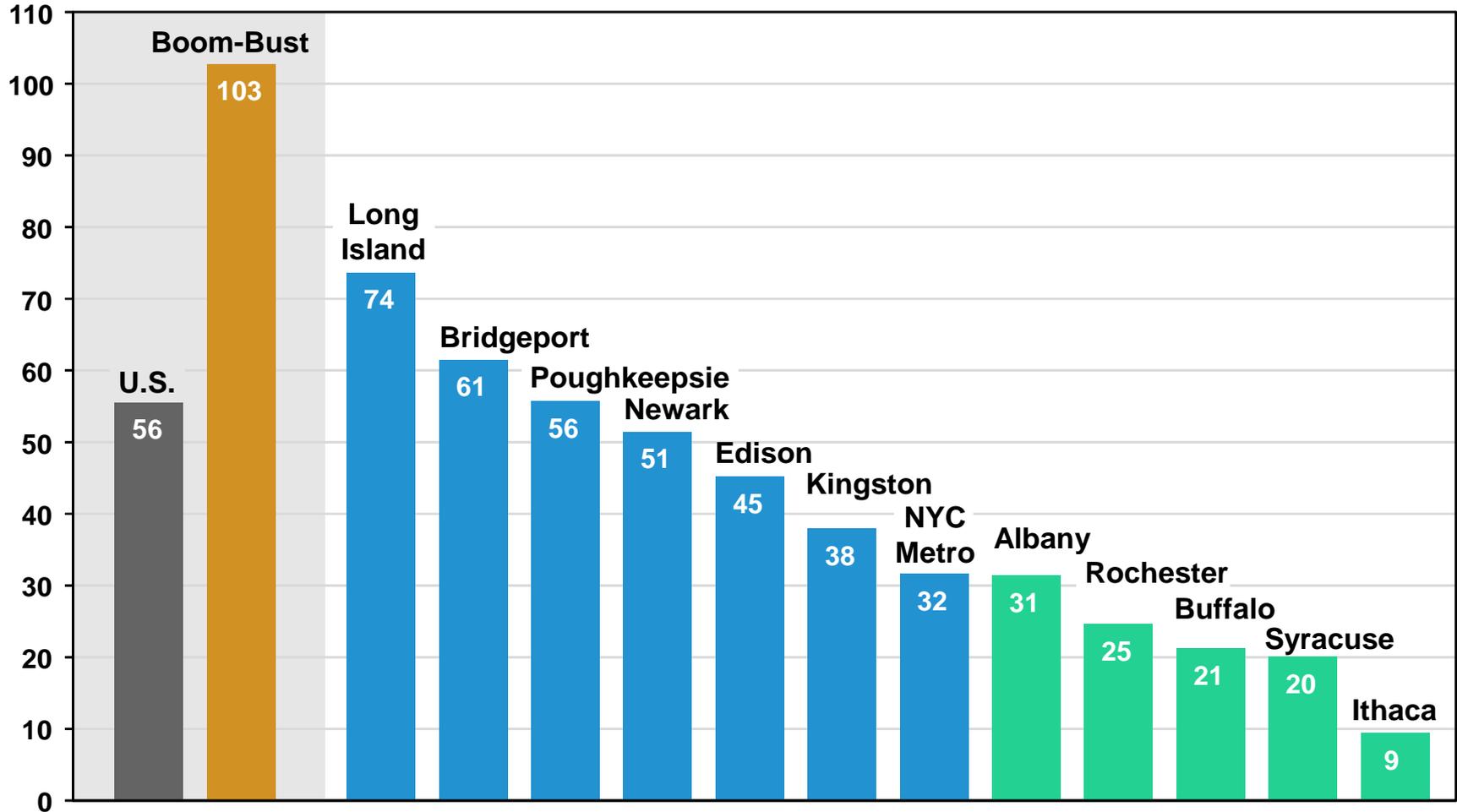
Map of Metro Quadrants

Average Annual Percent Change: 2000-2006 vs. 2006-2008



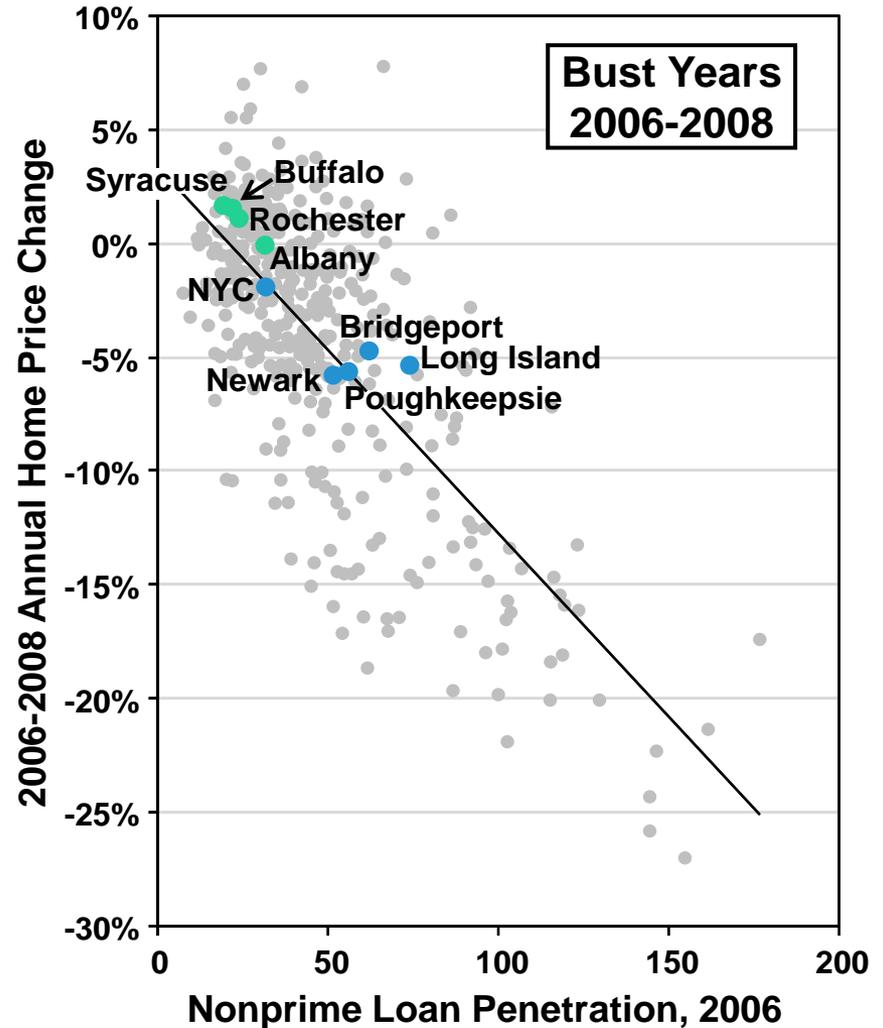
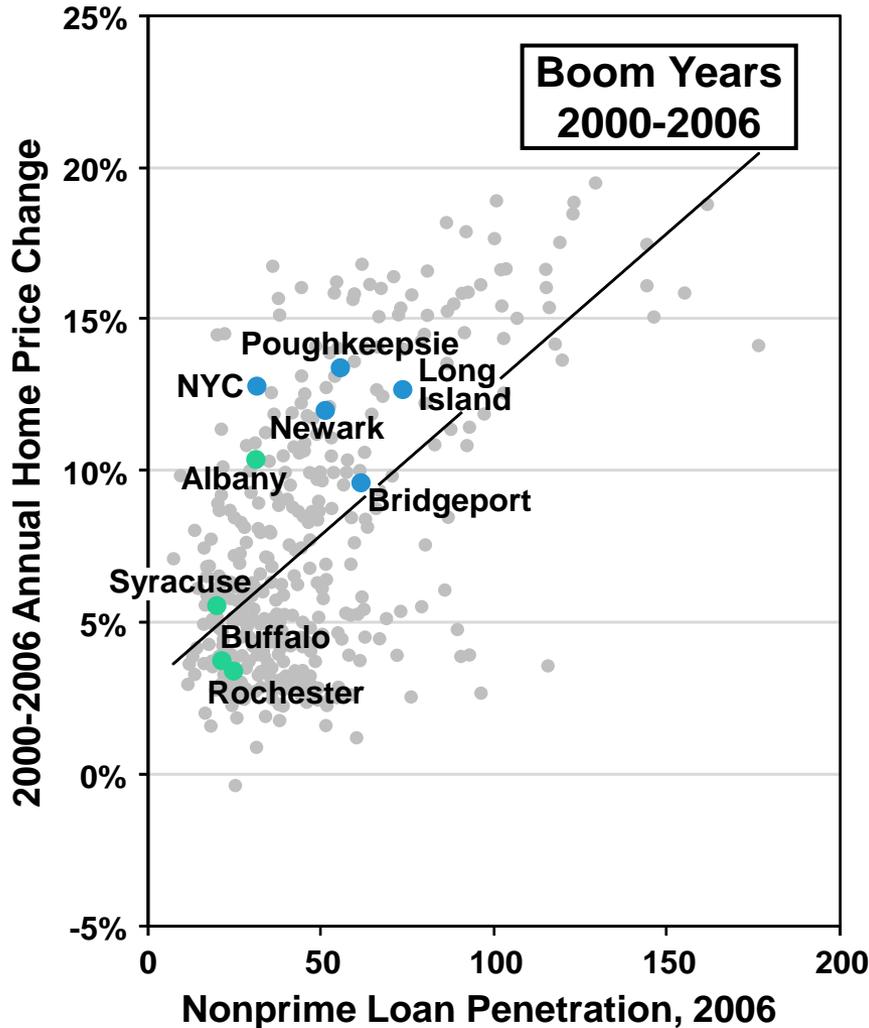
Nonprime Loan Penetration

2006 Nonprime Loans per 1,000 Housing Units



Nonprime Loans and Home Prices

Nonprime Loan Penetration vs. Home Price Appreciation



Housing and Local Economic Activity

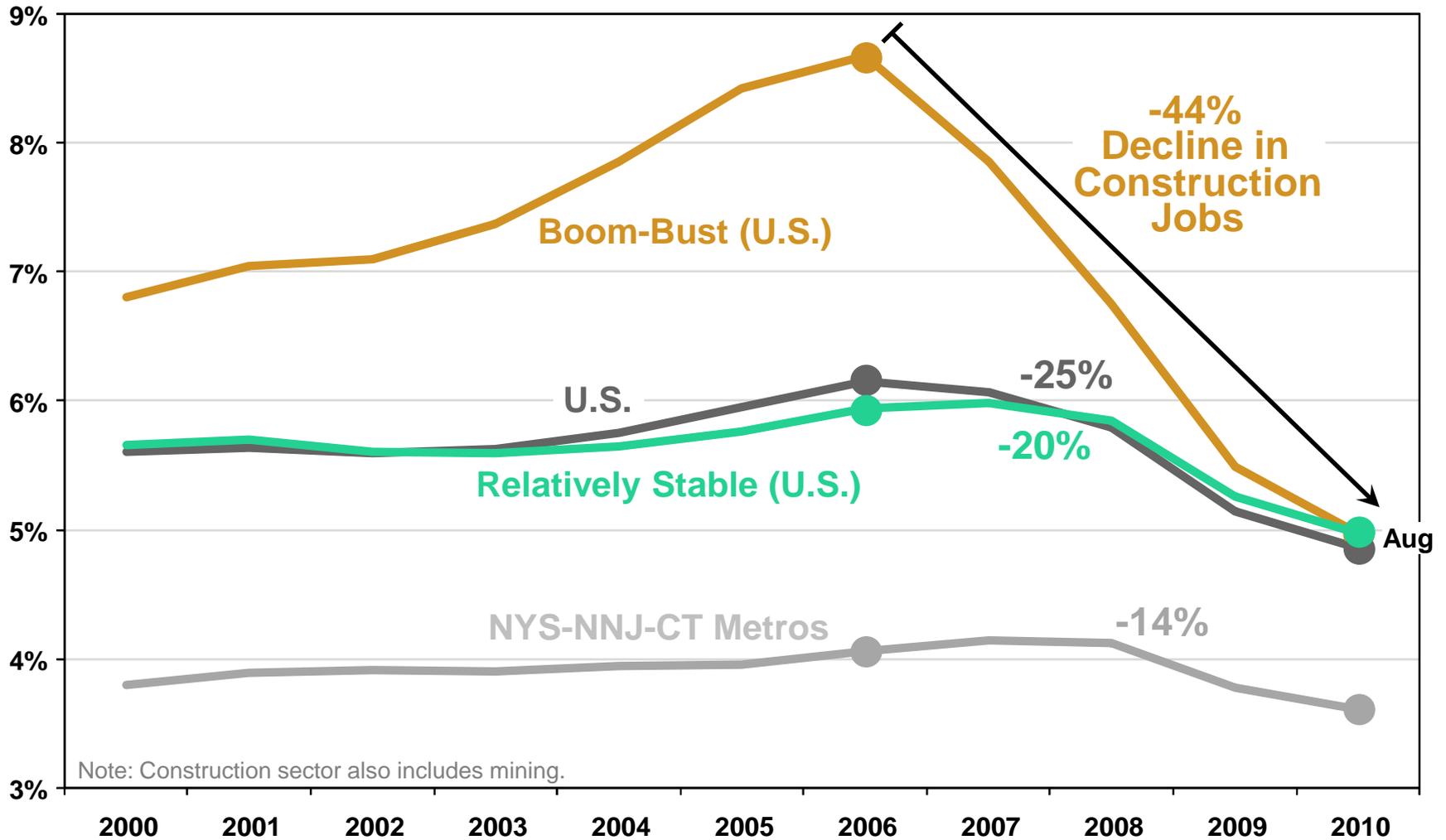
- Performance of the housing sector affects local economic activity (and vice versa)

- Two channels:
 1. Direct
 - Decline in housing activity reduces employment in housing-related sectors and sales of housing-related consumer durables

 2. Indirect
 - Reduction in value of housing asset reduces consumer spending

Decline in Construction Employment

Construction Share of Total Employment

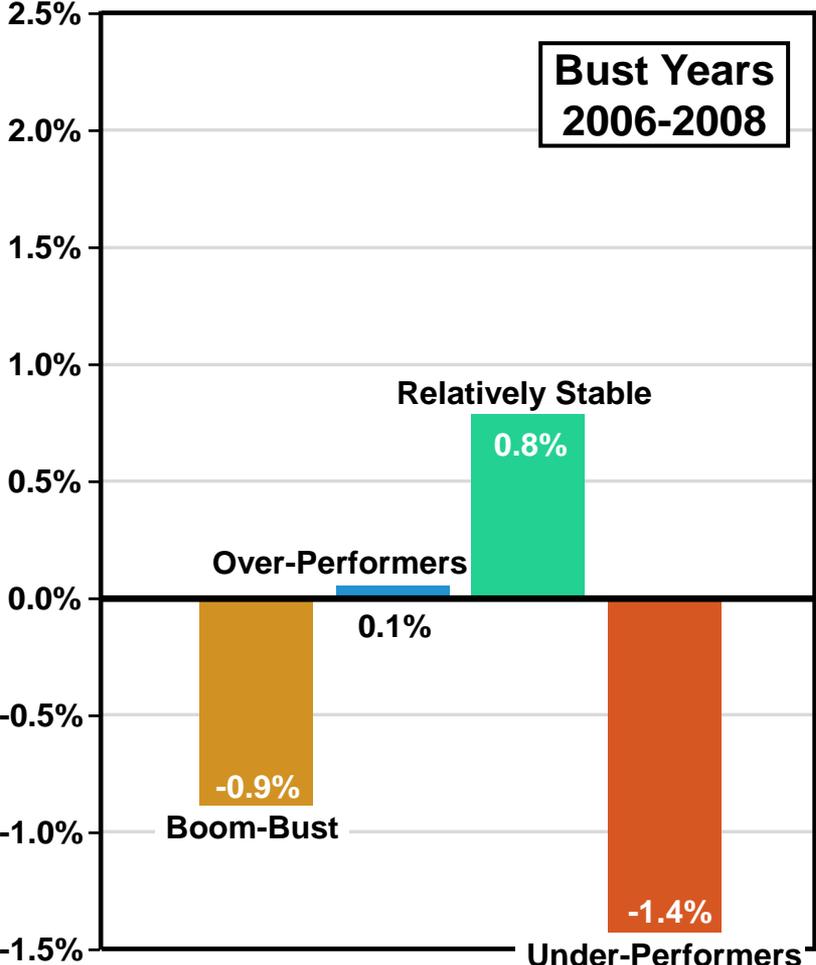
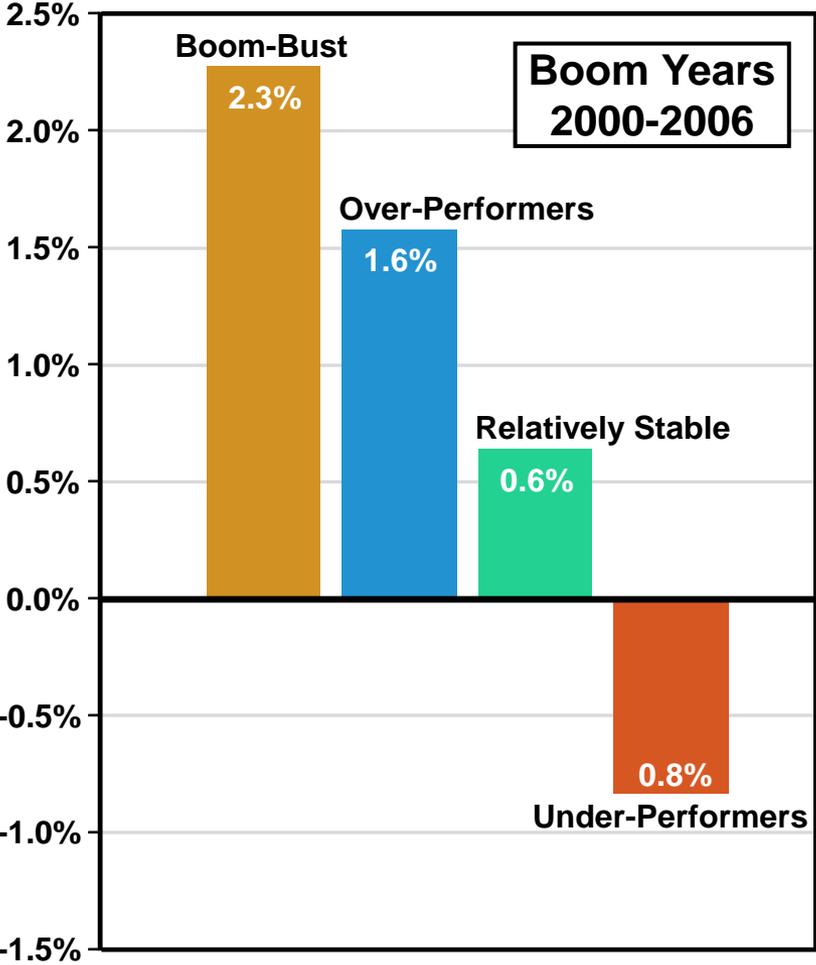


Note: Construction sector also includes mining.

Aug

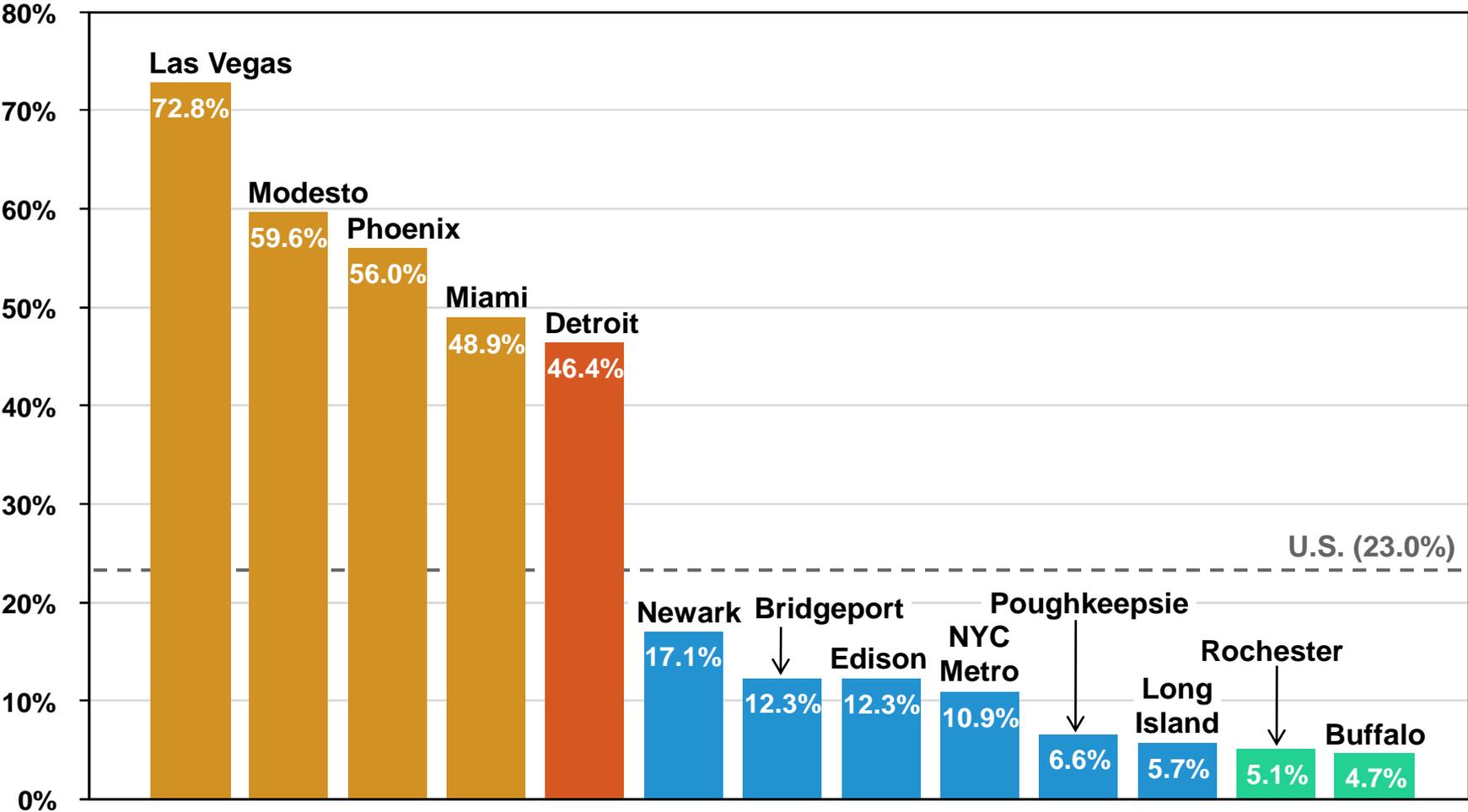
Total Employment Change by Quadrant

Average Annual Percent Change: 2000-2006 vs. 2006-2008



Reduction in Value of Housing Asset

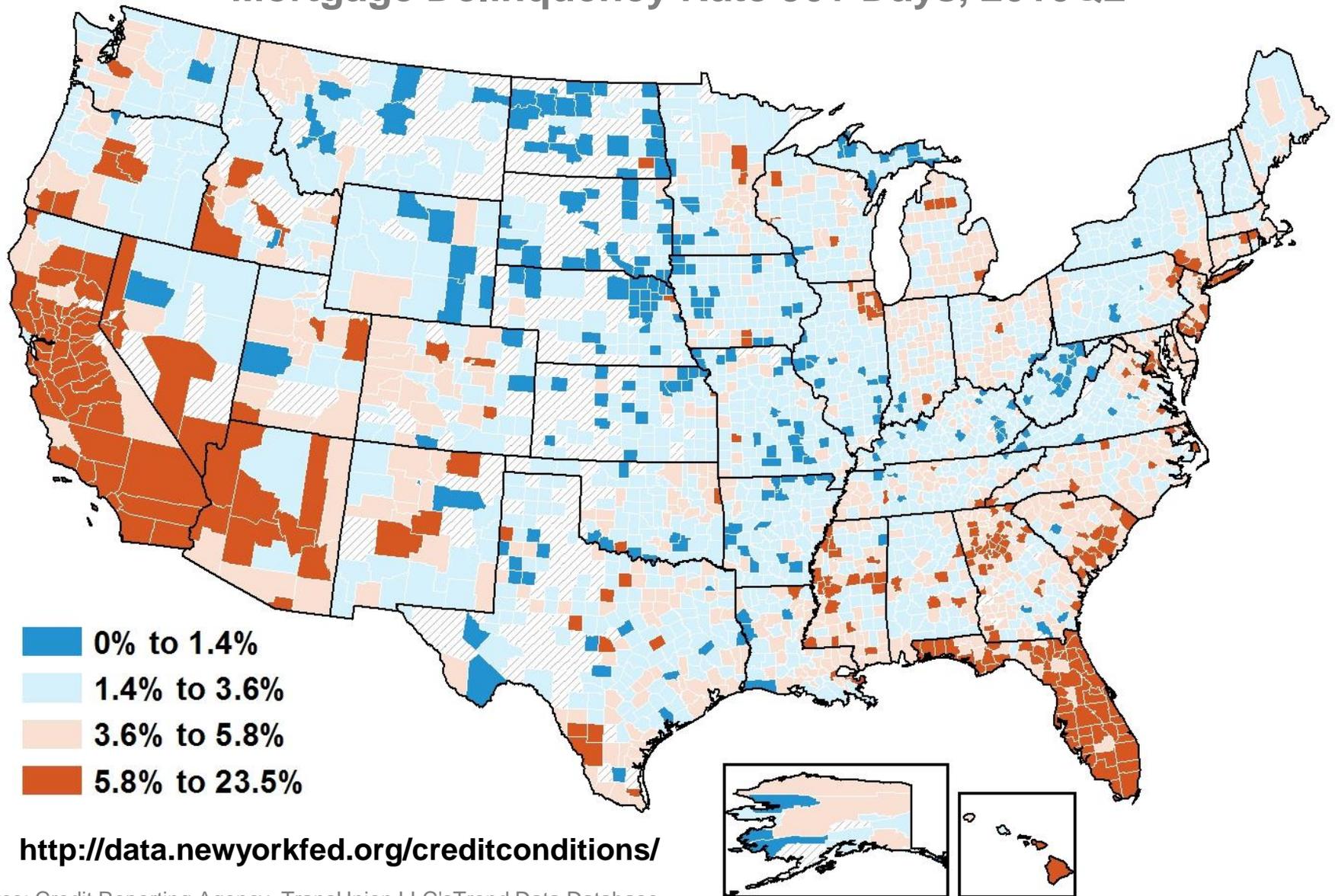
Share of Mortgages in Negative Equity, 2010Q2



Source: CoreLogic Negative Equity Report

Credit Conditions Across the U.S.

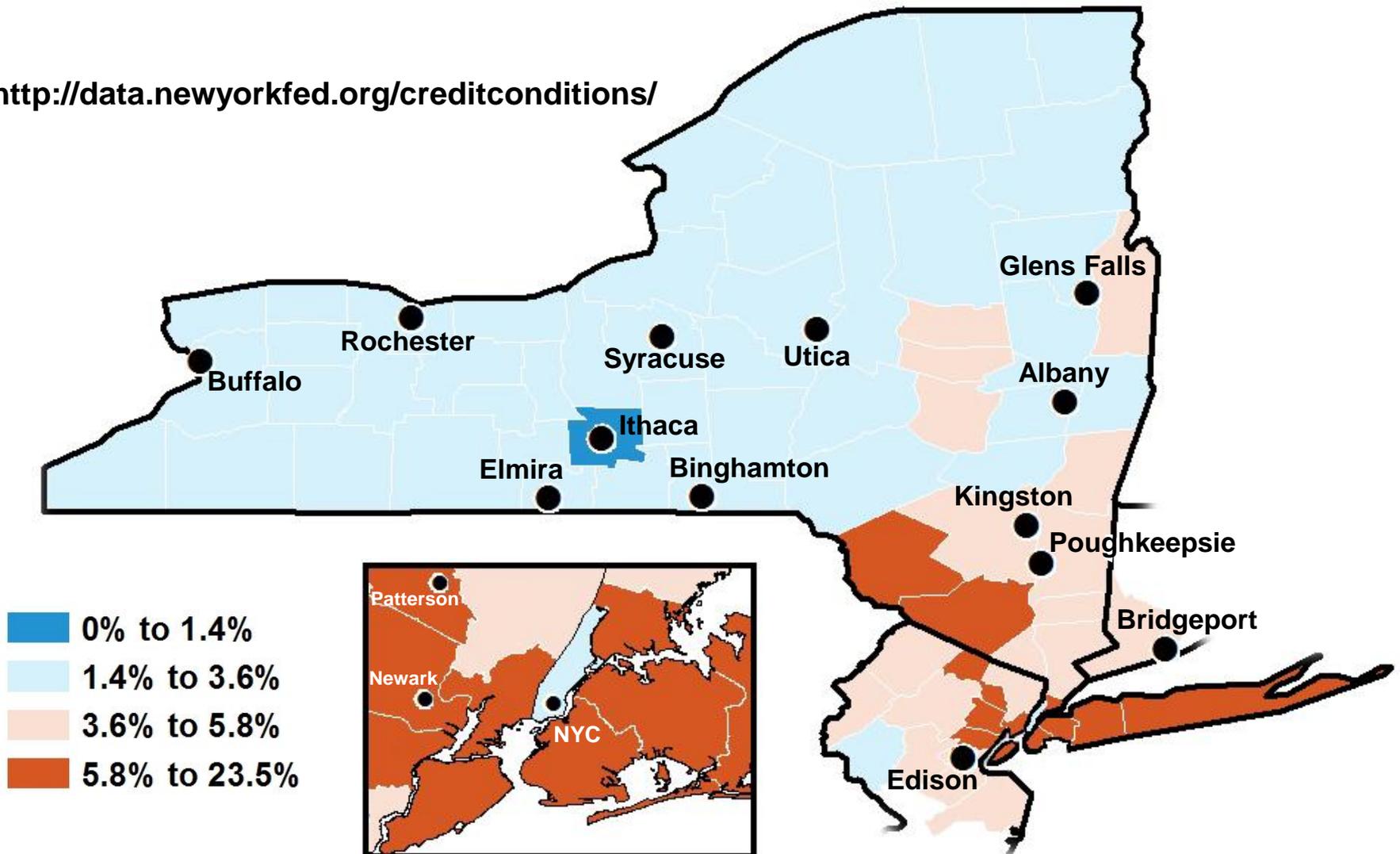
Mortgage Delinquency Rate 90+ Days, 2010Q2



Credit Conditions in the NY-NJ Region

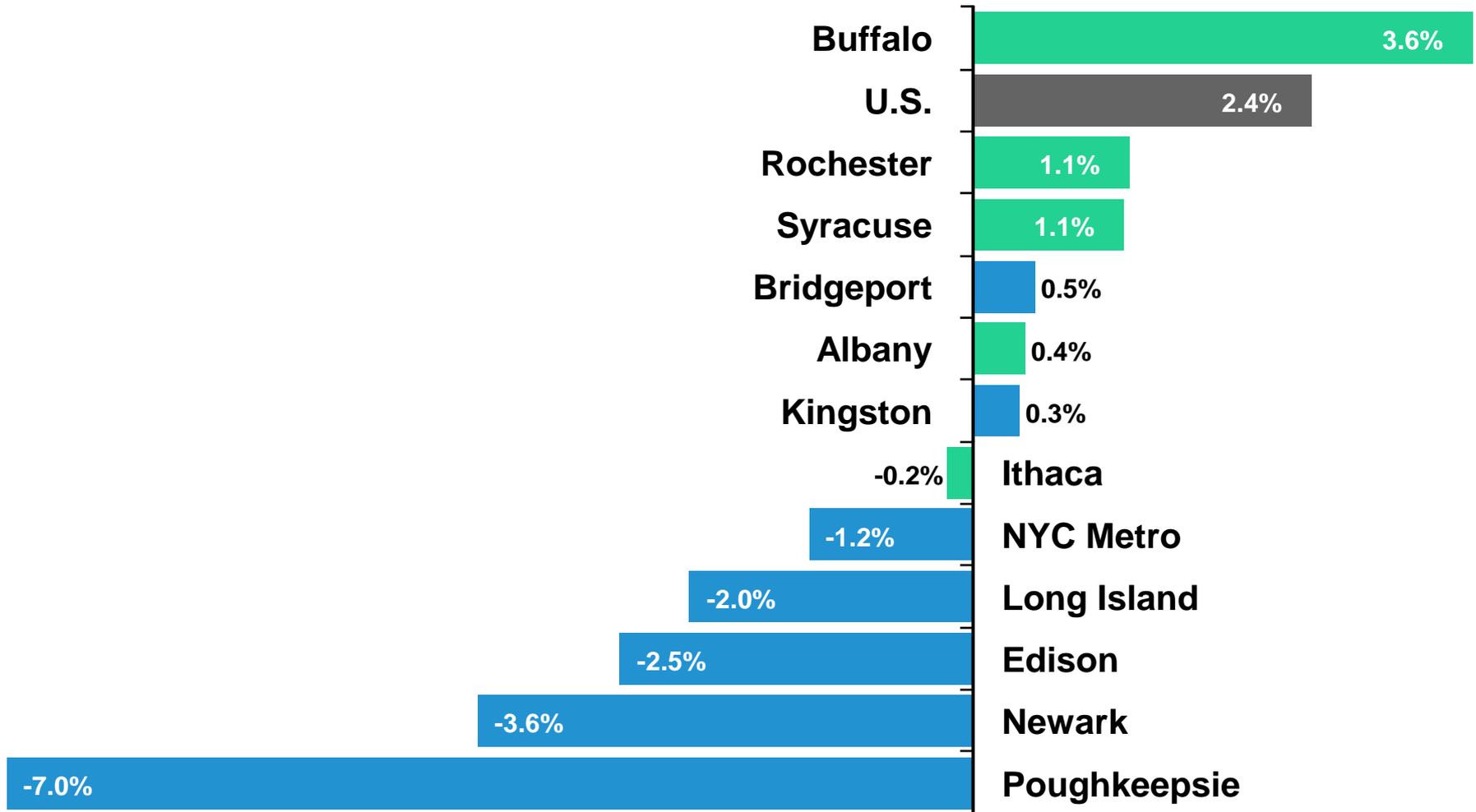
Mortgage Delinquency Rate 90+ Days, 2010Q2

<http://data.newyorkfed.org/creditconditions/>



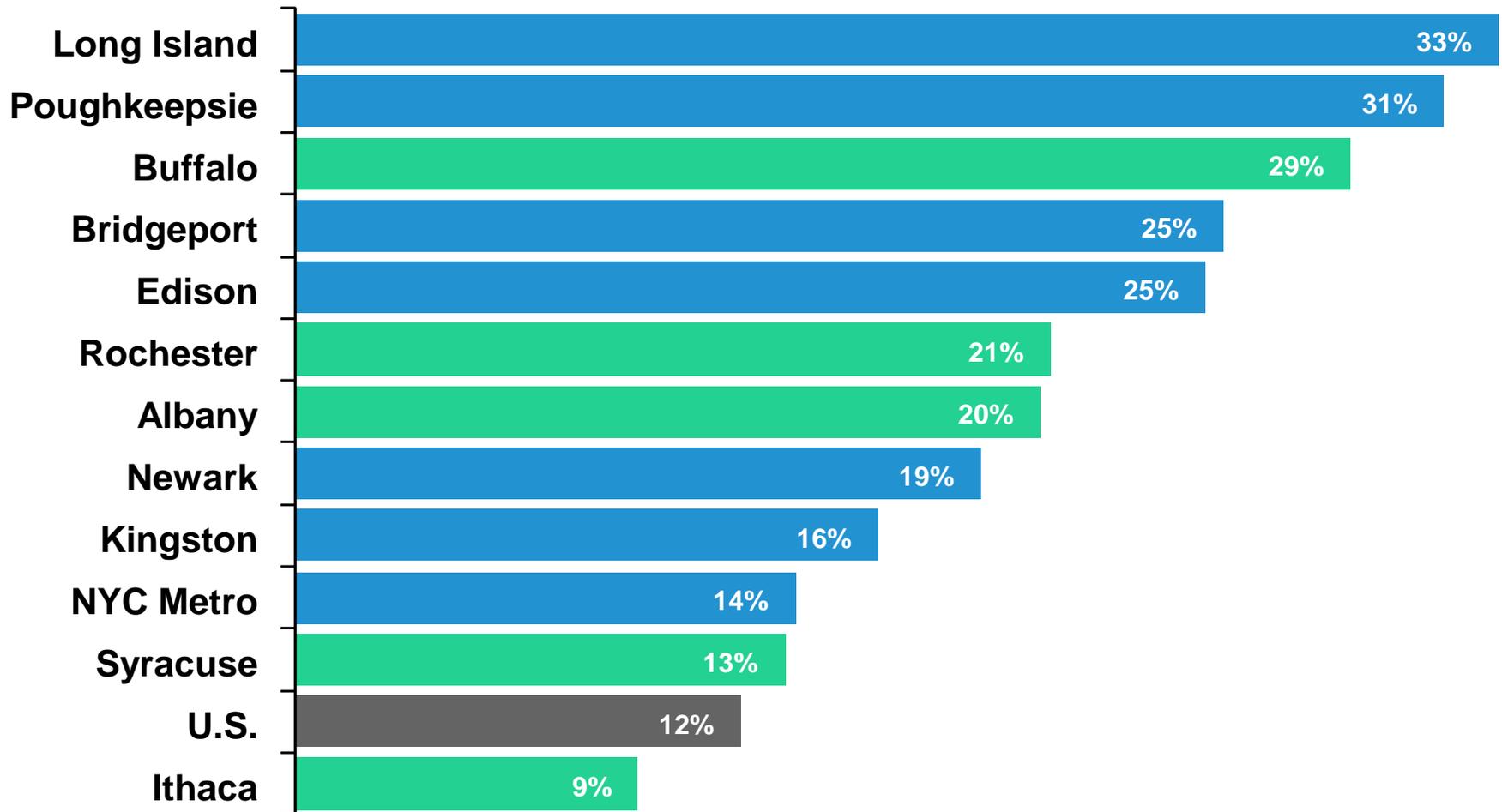
Recent Regional Home Price Appreciation

CoreLogic Home Price Index, 2009H1-2010H1



Recent Regional Real Estate Activity

Index of Existing Single-Family Home Sales, 2009H1-2010H1



Summary

- The housing boom and bust cycle experienced in the region has generally been less severe than in other parts of the country
- The decline in the housing sector has resulted in lost jobs and a drag on economic performance, but this drag has been less consequential in the region than elsewhere
- Most recently, home prices have stabilized and home sales have risen across the region, although the future path of activity is uncertain

New York City Housing

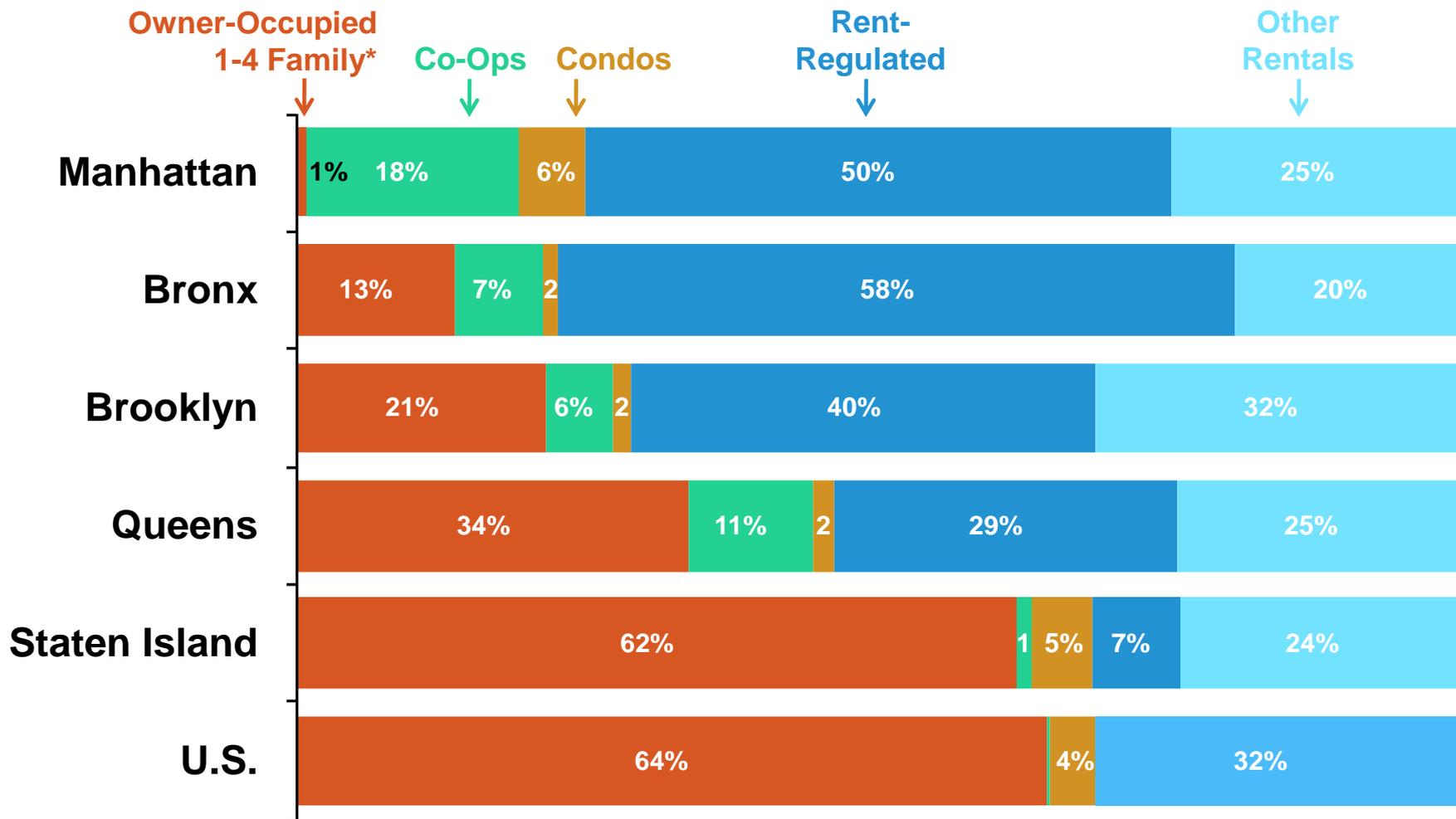
Jason Bram

New York City Housing Overview

- **New York City has been an over-performer**
- **How is NYC's housing market unique?**
 - Majority of units are in multi-family structures
 - More renters than owners
 - Fewer condos than co-ops
- **Recent developments**
 - NYC housing market had bigger boom, milder decline than U.S.
 - Prices appear to have stabilized; rents have begun to recover
- **Outlook and Risks**

Profile of NYC's Housing Market

Housing Units by Borough

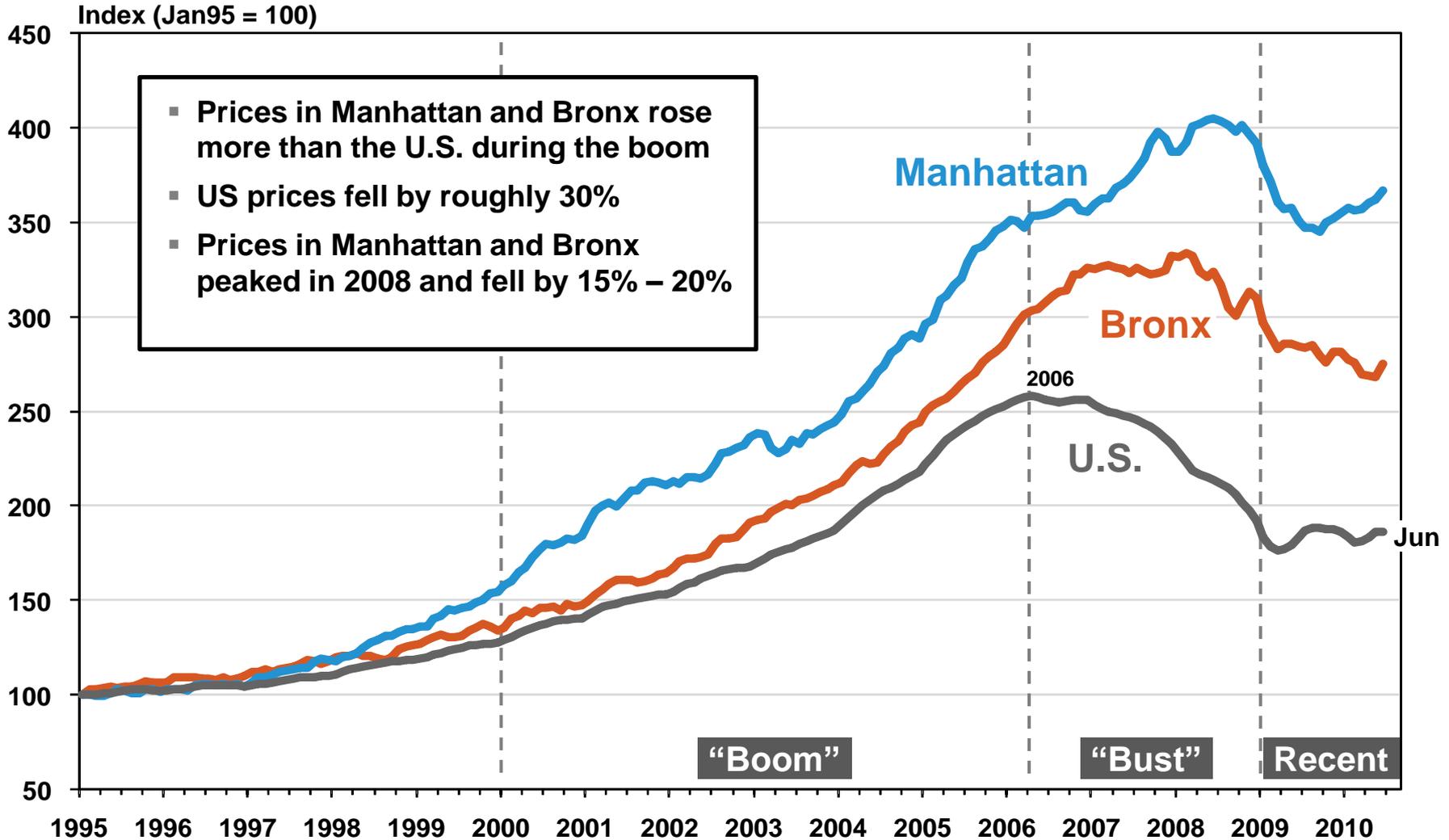


Source: U.S. Census Bureau, Housing and Vacancy Survey

(*Note: Also includes living quarters in partially commercial buildings (e.g. a doctor's office and home in one building))

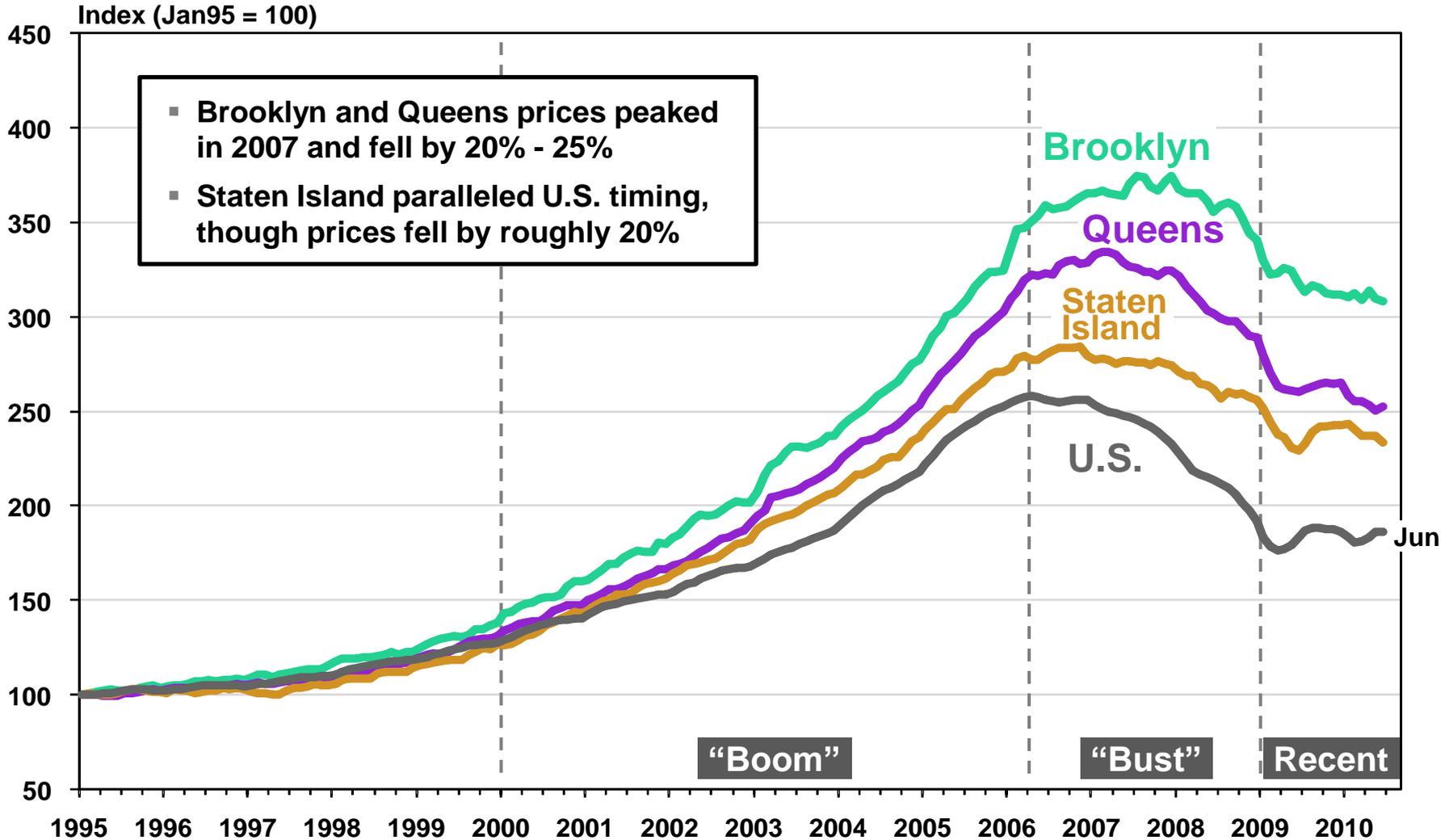
Recent Developments

CoreLogic Home Price Indexes (Monthly)



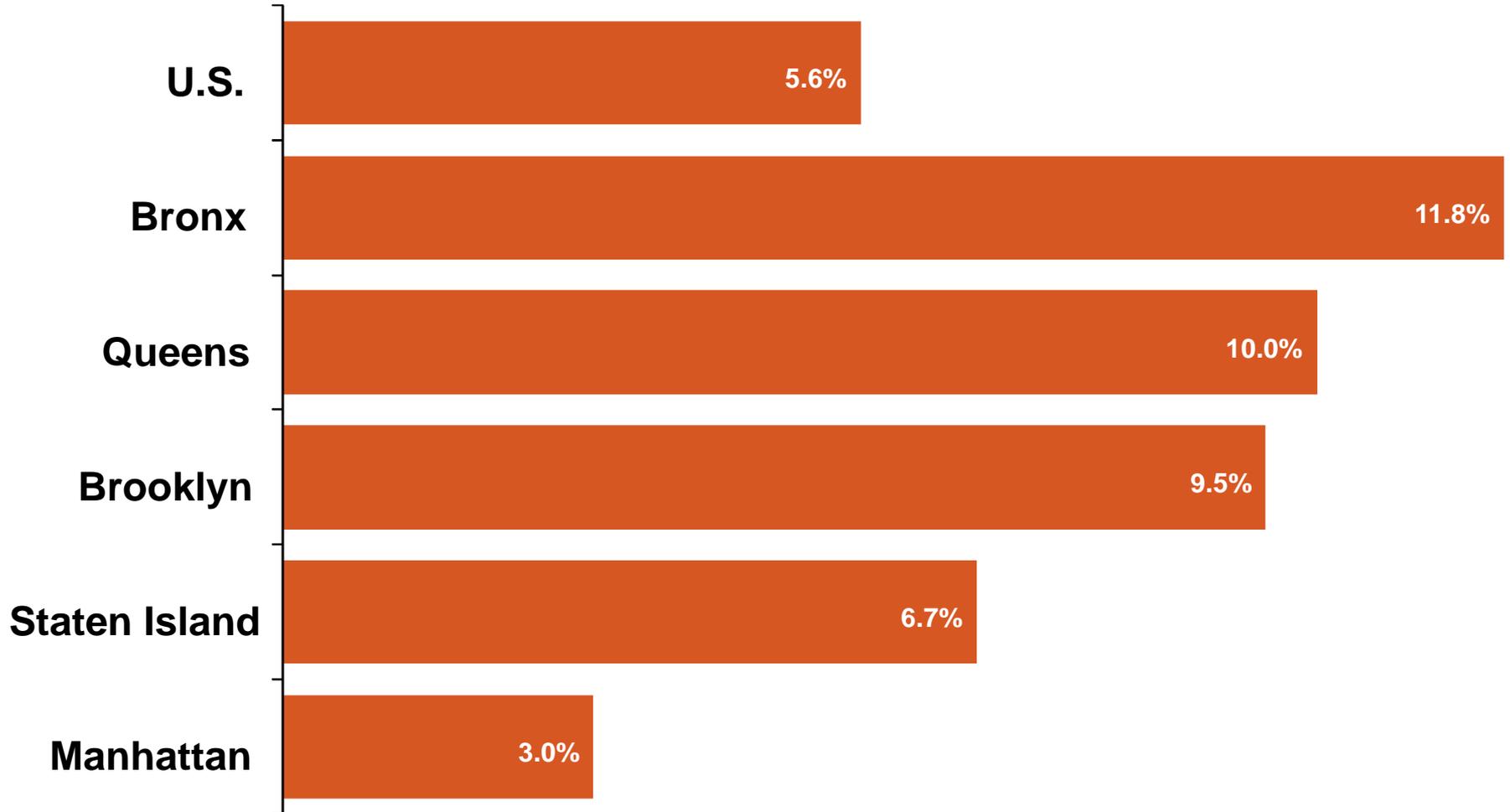
Recent Developments

CoreLogic Home Price Indexes (Monthly)



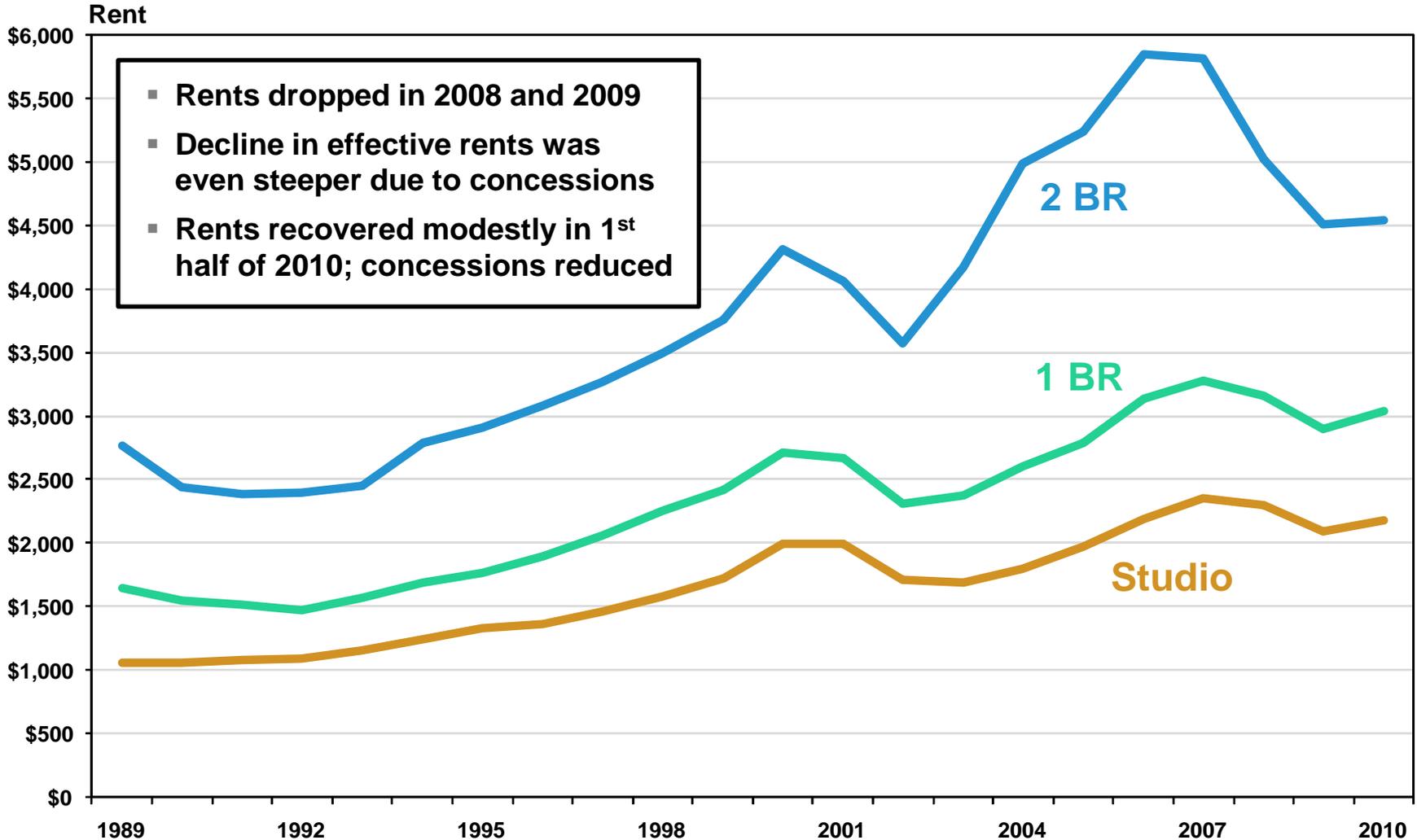
Recent Developments

Mortgage Delinquencies 90+ Days as % of All Mortgages, 2010Q2



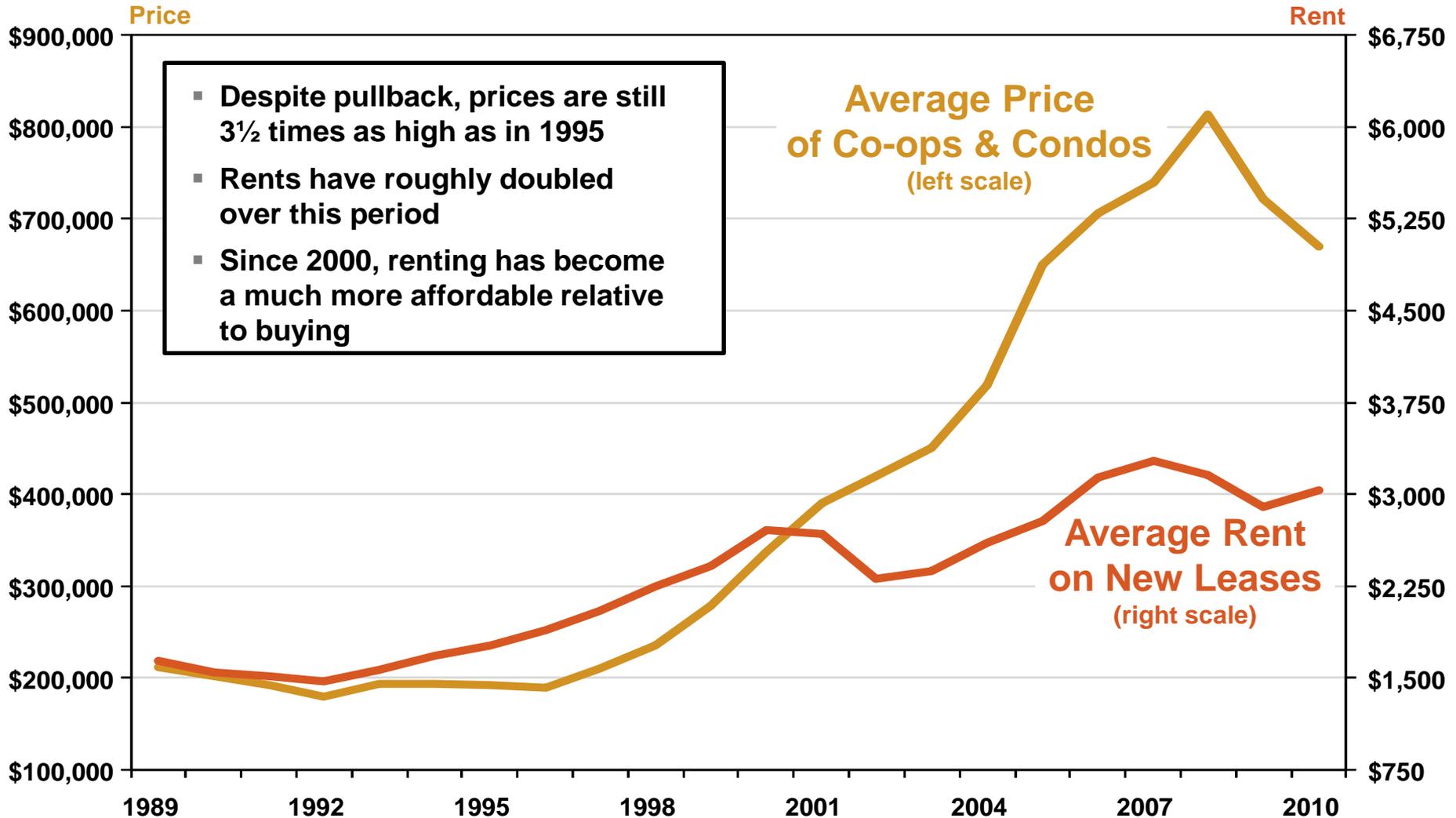
Recent Developments

Average Rents on New Leases, Manhattan



Average Prices and Rents

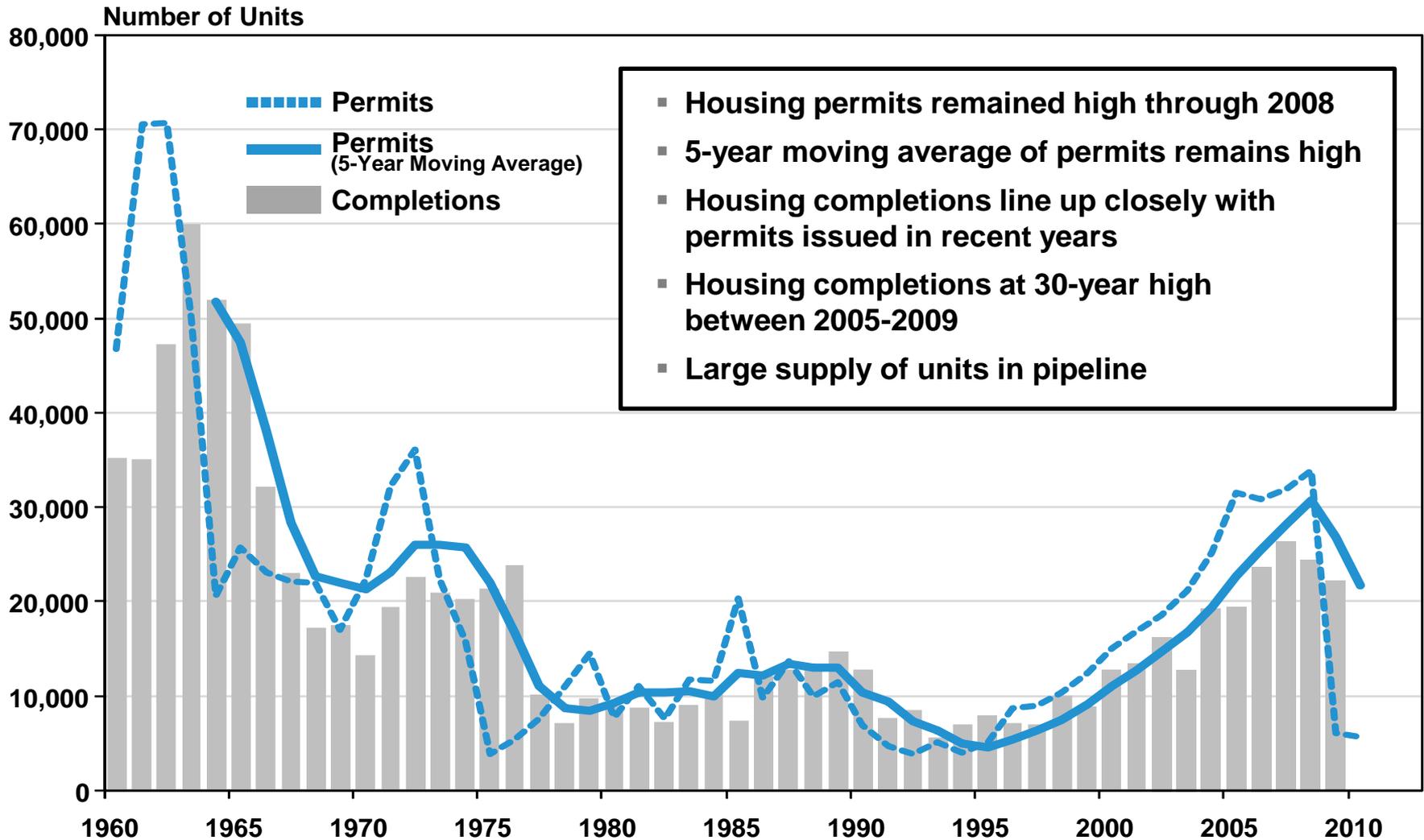
Manhattan 1-Bedroom Apartments



Source: Nancy Packes, Inc.; FRBNY calculations
(Note: Rents for 2010 reflect the first 6 months of the year; prices are for the first 9 months)

Recent Boom in Home Construction

Housing Permits and Completions in New York City



Source: NYC Rent Guidelines Board
(Note: 2010 permits estimated based on first half of the year)

NYC Housing Outlook and Risks

- **Factors supporting home prices:**
 - NY City had milder recession than US; recovery underway
 - Relatively few owner-occupied homes “underwater”
 - Large number of co-ops → less leverage and less speculation
- **Factors undercutting home prices:**
 - Little or no job growth thus far in high-paying sectors (e.g. securities)
 - Uncertainty about the financial industry, especially compensation
 - Large number of new housing units in the pipeline
 - Prices high relative to rents; makes renting more attractive

**Community and Regional Affairs Efforts to
Mitigate the Foreclosure Crisis**
Rae Rosen

Regional and Community Affairs Outreach Strategy

- Diverse group of stakeholders required a complex, multi-prong approach
- Local stakeholders
 - Homeowners
 - Housing counselors
 - Advocacy groups
 - Elected officials
 - Academics

A Multi-Prong Approach

- Provided targeted help directly to local communities and borrowers
- Broadened intermediate channels of communication
- Created a broad public channel of communication (top down)

Provided Targeted Help Directly to Local Communities and Borrowers

- Partnered with local community organizations to convene forums and make presentations to educate local stakeholders about the subprime mortgage market, the foreclosure process, etc. (8 events)
- Provided technical assistance to local stakeholders to help them better understand the data, interpret and apply national analytical insights (11 meetings)
- Convened focus groups and engaged in intelligence gathering at the community level to gauge local conditions and identify emerging concerns (65 meetings)

Provided Targeted Help Directly to Local Communities and Borrowers

- Partnered with local and national stakeholders to staff borrower outreach events for distressed homeowners where foreclosure prevention and mitigation advice was provided by housing counselors and mortgage servicers (10 events)
- Cosponsored the Lawyers' Foreclosure Intervention Network (LFIN) with the City Bar Justice Center, which, since its inception in May 2008, has provided pro bono legal assistance to approximately 200 New York City homeowners facing foreclosure

http://www.newyorkfed.org/newsevents/news/regional_outreach/2008/an080527.html

Broadened Intermediate Channels of Communication

- Created a new publication, *Facts and Trends*, to provide rigorous analysis on troubled low and moderate income communities – 3 issues:
 - New Jersey
 - Upstate New York
 - Long Island

http://www.newyorkfed.org/newsevents/news/regional_outreach/2010/an100506.html

<http://www.newyorkfed.org/regional/FactsTrendsVol1No1.pdf>

Broadened Intermediate Channels of Communication

- Helped establish and lead *Mortgage Outreach and Research Efforts* and *Homeownership and Mortgage Initiatives* committees to leverage and coordinate foreclosure mitigation efforts across Federal Reserve System
- Products included:
 - Coordinated research, data efforts & conferences
 - Web-based foreclosure resource centers and tool kits for dissemination by each Reserve Bank
 - http://www.newyorkfed.org/regional/foreclosure_resource_center.html
 - established a network of housing counselors, mortgage servicers and state one-stop job centers to better coordinate the full range of services available to unemployed borrowers at fairs, web sites and in offices
 - Collaborated with US Department of Labor to provide tool for proof of income so that recipients of Unemployment Insurance can obtain mortgage modifications and avoid foreclosure proceedings

Created a Broad Public Channel of Communication (Top Down)

- Established the US Credit Conditions website which houses the largest, geographically detailed publically available database on mortgage and other household credit conditions in the United States

<http://data.newyorkfed.org/creditconditions/>

- Established the HFAs – a group of Executive Directors and their staffs of the nation’s largest state housing finance agencies (18) and acted as their consultants, including:
 - analyzing the mortgage issues specific to their state
 - developing customized data runs for their applications for TARP funds for “hardest hit” state-run mortgage mitigation programs
 - work is ongoing

Created a Broad Public Channel of Communication (Top Down)

- Annotated key working papers from Research which had direct implications for use of the housing TARP funds to be readily informative to the lay (nonacademic) person and disseminated them to the HFAs

<http://www.newyorkfed.org/research/economists/haughwout/Belowtheline.pdf>

- Created electronic version of the quarterly Research publication US Debt and Credit Conditions to create a national presence for the publication. This site provides policy makers, nonprofits and state and local governments with insight into the specific regional credit issues (e.g. California, Florida and New York problems are distinctly different)

http://data.newyorkfed.org/research/national_economy/householdcredit/DistrictReport_Q22010.pdf

Appendix

Job Growth by Sector

Seasonally Adjusted, May to August 2010 Percent Change

	U.S.	New York	New Jersey	Puerto Rico
Transportation & Utilities	0.5%	1.2%	0.4%	-0.2%
Educational & Health Services	0.5%	-0.6%	-0.3%	-4.1%
Leisure & Hospitality	0.5%	0.4%	0.9%	-2.3%
Other Services	0.4%	3.9%	0.2%	-2.2%
Construction	0.4%	3.3%	-0.9%	-4.6%
Professional & Business Services	0.3%	0.0%	0.9%	5.6%
Wholesale Trade	0.2%	0.0%	1.0%	-1.2%
Manufacturing	0.1%	0.5%	-1.3%	-1.5%
Retail Trade	0.0%	-1.2%	0.2%	-4.7%
Financial Activities	-0.3%	-0.3%	0.8%	4.6%
Information	-0.3%	-0.7%	-0.7%	2.2%
State & Local Government	-0.5%	-0.4%	-3.2%	-2.4%